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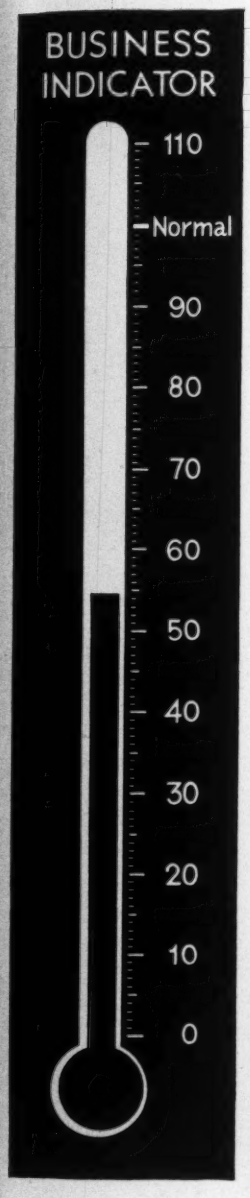
AUG 17, 1932

THE BUSINESS WEEK:



The accelerated upswing in security and commodity markets during the past month is a reflection of fundamental factors definitely favorable for business recovery which have come to the surface since the beginning of July. . . . Foremost among them in the foreign field have been the Lausanne reparations settlement, and the successful British war loan conversion. . . . In the domestic sphere the most important influence has been the progressive extension, since Congressional adjournment, of the Administration's comprehensive and systematic program for stimulation of private enterprise and employment by credit expansion. . . . Starting with the basic necessity of strengthening the banking structure and protecting it against foreign and domestic attacks on the stability of the currency through the Reconstruction Corporation and Federal Reserve policies, the campaign for restoration of business confidence is being carried forward step by step through support of the bond market and of commodity prices, and by active, organized efforts to stimulate employment in construction, railroad equipment, and other capital goods industries. . . . Partly by direct or indirect use of the public credit to prime the pump of private enterprise, and by enlisting the organized cooperation of private industrial and banking interests, it is expected that this program will prepare the way for a broad and rapid business improvement before November. . . . The relative stability of business indicators, the strengthening of basic commodity prices and the vigorous revival of domestic and foreign investment interest in American security markets in recent weeks all suggest that the bottom of the depression may have been passed.

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This Business Week:

Reconstruction

Administration efforts to hasten recovery are directed at public works, railroad aid, and commodity prices. Greatest emphasis is on commodities.

In commodities, the important point is not the quantities, although they are large in comparison to shrunken consumption, but who has them. The Administration would strengthen prices by strengthening the hands that hold the commodities. *(p. 3)*

Railroad aid, for employment-making maintenance expenditures, is not quite so simple, involves certain bookkeeping changes. Moreover, at the present volume of traffic, the roads think they're well enough maintained. *(p. 4)*

Steel

Selection of Lamont to head the Iron and Steel Institute is significant. Necessity, in this fundamental industry, is the mother of cooperation. Production is 15% of capacity; prices are terrible. Research, statistics, markets, are mentioned, but biggest job of the new chief is price policing through internal disarmament. *(p. 5)*

Clothing

When men's clothing prices first fell, $30 suits could be had for $15. Bargains were soon exhausted, but the demand for $15 suits continued. As a result, bitter competition threatens to bring back the sweatshop. In New York, workers are on strike to stop the progress of price cuts from retailer to manufacturer, and—inevitably—to labor. *(p. 6)*

Oil

The hydrogenation process, bought from the Germans by Standard of New Jersey, has now been mutualized for the benefit of the whole industry. The new chemical tool permits building lubrication and fuel to order, promises to be very handy when oil is more costly. Even now, much can be done with it of immediate usefulness. *(p. 7)*

Motors

Automobile engineers, already nearly crazy trying to produce cars at the prices which prevail in these times, have an added burden. The public, it seems, likes "doughnut" tires, so designers will have to provide for them although they cost more and car design is not yet ready for them. *(p. 8)*

Marketing

Included in the cost of living is the cost of dying. Part 17 of The American Consumer Market shows what is spent for "loving, lawing, and dying." *(p. 18)*

Furniture makers consider a moratorium on the furniture marts. These semi-annual shows give buyer and seller a chance to get together. But these days, advance orders and long-term commitments are out; selling is week by week. There are, however, two schools of mart-marketing. *(p. 9)*

Wholesalers find their place in the scheme of distribution justified in the Wholesale Census just released. *(p. 15)*

Talkies are going educational. The University of Chicago will produce lectures by authorities. Advertising films, disguised as entertainment, did not do so well, but advertisers are about to use the educational approach. *(p. 14)*

Lumber

Good old Uncle R.F.C. may be able to find some money to help the lumbermen through limited dividend companies for the development and protection of the forests, now being sacrificed to pay taxes. *(p. 10)*

Taxes

More about the marvelous intricacies of the tax situation, which has turned out to be infinitely more complicated than even toughened tax clerks anticipated. *(p. 11)*

Transport

Railroaders who fought the 6-hour day are a little astonished to find it would cost less money, despite more men and more overtime. The unions may use the figures to forestall the expected wage cut. *(p. 12)*

Seatrains, those freight-car swallowing ships that run to Cuba, will be leaving Hoboken in the fall. *(p. 12)*

Foreign

European money has been running upstream into Wall Street these last few weeks, apparently accounts in no small measure for the reconstructed bull market. *(p. 22)*

Italy, France, and Germany are pushing plans for Atlantic air lines to South America. *(p. 22)*

Optimism is spreading, according to the cables. Britain watches effect of Wall St. boom on war loan conversion. Germany is again upset politically, the outlook uncertain. Wall St. and Washington are big factors in the situation. *(Survey, p. 24)*

Figures

Stimulated by governmental assistance, commodity prices continue to gain in strength. Steel shows its faith in future activity. Otherwise, basic indicators are as yet unaffected by any change in sentiment. *(p. 28)*

In this issue:

"Legal Expense," Part 17 of The American Consumer Market

AN OPPORTUNITY TO BE INDEPENDENT

which may not occur again

for 20 years

SOME MEN view a business depression with alarm. Others view it as an opportunity.

A business depression, like any other big shake-up in human affairs, causes old leaders to fall and new leaders to take their places.

That is what happened in 1907. It happened again in 1921. It is happening today.

Profound changes are taking place in business—this year, this month, *now*. The man who sees in these changes his opportunity for independence and power is the man who will make his fortune in the next five years.

Business today is new and complex. The old rules no longer work. A whole new set of problems is presented by production. Organizations are looking to foreign markets. An entirely new conception of selling is replacing the old hit-or-miss way. Consolidations and reorganizations have wiped out old jobs, created new functions.

In order to progress today, a man must know the new rules. And the man who does know the new rules will go farther and faster in the next five years than the average man goes in twenty years.

Send for the Booklet which describes this Opportunity

Since 1929 the Alexander Hamilton Institute has been laying the foundation of a new kind of Service for the leaders of tomorrow. The ablest business minds—men of international reputation—have helped prepare this new Service. Here are a few of them: M. H. AYLESWORTH, *President*, National Broadcasting Company; THOMAS J. WATSON, *President*, International Business Machines Corporation and *President*, Merchants' Association of New York; HUBERT T. PARSON, *President*, F. W. Woolworth Company; COLBY M. CHESTER, JR., *President*, General Foods Corporation.

A booklet has been prepared which tells about this new Service and about the opportunities of the next five years. It is called "What an Executive Should Know." The booklet is well worth half an hour of your time. It contains the condensed results of 20 years' experience in helping men to forge ahead financially. Many men have said that in 30 minutes it gave them a clearer picture of their business future than they ever had before. This booklet costs nothing. Send for it.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending August 13, 1932

Three-Way Recovery Drive Centers on Commodity Rise

Administration strategists will also push rail repair program, efforts to speed up construction

APART from efforts to speed up self-liquidating public construction work, and to find some way in which Reconstruction Corp. funds can be used for repair, replacement, and maintenance of railway equipment and trackage, the Administration recovery campaign is concentrated for the present on raising key commodity prices through various schemes for credit expansion.

Mr. Meyer and Mr. Mills seem to be the master minds behind all these moves—Meyer in the commodity schemes, Mills in the others—but the President appears to be directing the campaign personally. In the background an informal board of strategy is being organized, including the heads of the local banking and industrial committees in the Reserve districts, the Treasury, Federal Reserve, and R.F.C. officials, with sub-committees concerned with each of the special battle-fronts of credit expansion. Although no announcement has yet been made regarding Administration plans for supporting a program of industrial equipment modernization, it is known that active organized efforts are under way to fill this most important gap in the strategy of the President's comprehensive campaign for business recovery.

Commodities—Stronger Hands, Stronger Prices

IN this anxious atmosphere of a desire to be helpful, higher agricultural prices are of course quite as important as increased urban employment, and the commodity markets have been profoundly stirred in the past 2 weeks by vague reports of Administration sponsorship of pools and other schemes to put up wheat and cotton, by use of R.F.C. credit. Something of this sort has been expected for several months, not merely on the general principle that the price of wheat is politically important, but because of the more fundamental fact that improvement in raw material prices is a prerequisite to business recovery. While no announcement of Administration plans for tackling this problem has yet come forth, the situation simmers down to this:

Estimates Mean Little

The statistical position of wheat and cotton (and this applies to almost all raw commodities) is neither worse nor better than it has been and in any case the superficial statistics about stocks, carryovers, crops, and output are of no real significance in the present situation. The constant stream of estimates, for wheat especially, of world supplies, carryover, crops, and consumptive requirements are all one confusion, each observer interpreting the superficial facts according to his bearish or bullish speculative bent. The essential fact is that visible stocks of all commodities are abnormally large in comparison with *current* rates of consumption because that rate itself is abnormally low and because the stocks are abnormally visible. In much greater proportion than usual they are in the show windows of the world because the supplies that are normally distributed along the channels of trade up to the point of final consumption are depleted.

The important point so far as price is concerned is, therefore, not how large the visible commodity supplies are, but who has them. In so far as they are held in weak hands—weak because of lack of credit to hold them—they depress the market. If they can be shifted into stronger hands or more nearly into consumer channels, the price may be strengthened.

This is the theory behind the Administration moves in connection with the commodity markets. The Relief Act authorized and provided funds for the R.F.C. to establish agricultural credit corporations (supplying all or any part of the capital), or otherwise loan funds, for the orderly marketing of farm products. Such orderly marketing could conceivably and logically include support of speculative purchases of commodities, since such speculation is necessary to stabilize the price of seasonal crops. It could also include financing of purchases by users of such commodities. Since ordinary bank credit is abundantly available now for these purposes, so far as individual operations are concerned, there would seem to be no place for government action. But the distribution of stocks in these ways might be facilitated if strong pools were set up for the purpose, and supported by R.F.C. credit.

Government Holdings

More especially, one of the most conspicuous parts of the visible supply of wheat and cotton in the show window, and a source of persistent annoyance to private consumers and traders, has been the Farm Board and associated co-op holdings of these commodities. Although the Board has disposed of the greater share of its wheat holdings in commercial channels or through the Red Cross for relief distribution, the Grain Stabilization Corp. still has about 20 million bushels of cash wheat and 30 million of futures, besides a large financial interest in an unknown amount of wheat held by co-ops under the Farmers National Grain Corp. In cotton it holds about 1,300,000 bales through the Cotton Stabilization Corp., and 2,300,000 on which it has loaned money to co-ops. Of this, 500,000 bales have been assigned to the Red Cross by Congress. Since all these stocks of wheat and cotton are already financed by the government, it would be simple and sensible to try to shift them into trade channels where they could be financed, at first by the R.F.C., and later by private credit.

A Cotton Plan

Some such scheme has been under consideration for cotton, the 3 million bales of Farm Board holdings to be shifted to the cotton mills through a special pool corporation set up for the purpose

and supported by R.F.C. credit. Some of it may be exported by this process. At any rate, it would be out of the show window, would no longer depress and disturb the market, and might encourage a revival of speculative interest for the rise.

To Stop Distress Sales

In all these respects the plan as applied to commodities is essentially the same as the other private efforts sponsored by the Administration, first through the National Credit Corp. last November, the Railroad Credit Corp. early this year, and the American Securities Investing Corp. (bond pool) recently, to protect security prices by shifting them from weaker to stronger hands and thus preventing distress liquidation.

The plan could not apply to copper and other non-agricultural commodities because the Relief Act made no provision for loans for this purpose, but it might be possible for the Administration to stimulate the formation of purely private pools to this end, supported by Federal Reserve credit which can now be loaned directly for short terms on any commodities.

Cotton Goes Wild

Speculative interest in cotton, strongly stirred by discussion of these pool plans, exploded into a runaway rise in cotton prices upon publication of the August crop report estimating this year's crop at 11,306,000 bales, lowest since 1921, when the short crop and rising prices set the pace for business recovery, and 5,790,000 bales below last year's bumper crop,—more than enough to offset the big Farm Board carryover. The swift upturn in the market added about $5 a bale to the cotton price, making more than $10 a bale since the June 9 low of 5¢.

Rail Repairs—A Bargain Will Probably Be Struck

NEGOTIATIONS between railroad executives and R.F.C. officials regarding plans for loans for equipment repair and track maintenance have not yet come to a satisfactory conclusion, but some result is anticipated soon. The Administration is pressing hard to persuade the roads of the desirability of such a program, for this is so far the only point in the Administration campaign, apart from the public construction projects, which promises prompt results by way of stimulating employment, and is comparatively easy to put over because it is necessary to deal with only relatively few principals.

In the negotiations with the government bankers the roads are in a buyers' market. They are coy about borrowing any more money because they are already deeply in debt to Uncle Sam for loans to keep them out of receivership, and the amount is growing rapidly. Moreover the I.C.C. accounting rules require them to charge maintenance costs and equipment purchases to current operating expenses, which they cannot now do, so that the I.C.C. must be persuaded to change its rules.

Ask Lower Rates

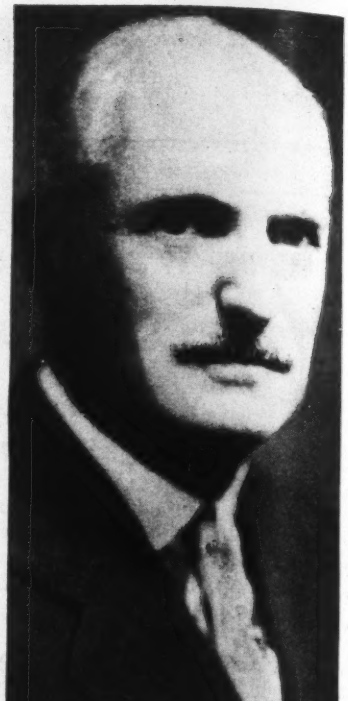
If the interest on R.F.C. loans for this purpose is to be carried into overhead, which is already so large that the government has to pay the greater part of it to protect bondholders, the rate on such loans must be made very low indeed, and some of the railway executives have suggested that it ought to be zero. Certainly, they say, 6% is too much, when the government bank is get its funds at 3% or less. Finally, the roads are not much interested in putting their equipment into shape anyway, because they have more of it in perfectly good order now than they know what to do with, the way rail traffic is these days.

In the end, however, probably a bargain will be struck, as usually happens when a banker with lots of money to lend and eager to lend it meets an impecunious customer under the auspices of an ambitious Administration in an election year.

Construction—More Jobs Than They Had Expected

APPLICATIONS for funds for semi-public construction projects—some of them of considerable size—are pouring in rapidly to the R.F.C., and an engineering organization is being set up to examine and expedite them, though no doubt sectional politics will play a part in the distribution of funds for this purpose. The amount of work of this kind possible in pending projects proves larger than was expected, but is not widely distributed geographically.

A committee of the American Society of Civil Engineers, on the basis of a systematic survey conducted in recent months, estimates a total of approximately $2 billions of public work projects suspended for want of funds, high cost of borrowing, or opposition due to local economy campaigns. Of this a good proportion is of a kind which might come under Relief Act provisions for credit support.



Wide World

CHARLES A. MILLER—*The newly appointed president of the Reconstruction Finance Corporation*

Hoover Tries Automobile Man in His Own Old Job

NEW Secretary of Commerce is Roy Dikeman Chapin, long of Hudson Motors, recently its chairman.

Nobody seemed to see any politics in the narrow sense in the appointment, but there were plenty of observers who thought Mr. Hoover showed great political sagacity of the broader sort in naming an automobile man to the post. Business men are apt to feel that automobile men as a class are live wires. The motor makers have been consistent exponents of international trade. In domestic trade, they stand for the newest and best in production and sales.

Under a man with this training, the influence of the Department should be for the ultimate in progressive policies.

The Department of Commerce and its bureaus are under fire from the organizations fighting for tax reduction. The department is the creation, almost, and certainly the pet child of the President. He has put a man at its head who will command business support, and who should prove a vigorous scrapper for the appropriations the department needs to run on.

Steel Men Hope Lamont Can Make the Boys Drop Their Knives

STEEL, bumping painfully along the rocky bottom of 15% production, has decided to do something about it, and do it cooperatively.

That is the significance of the selection of Robert P. Lamont to be president of the American Iron and Steel Institute. He felt the job was big and important enough to warrant resigning as Secretary of Commerce. Washington observers have no doubt he will have the hearty support of the Administration in his efforts to improve the condition of the great fundamental industry.

Steel's troubles are numerous, but the greatest of them is a price war, at once result and cause of inter-industry distrustfulness and bitterness. In good times, steel men get along pretty well together; the stresses of depression have brought out the least admirable traits in steel men as in many others. It was obvious that no man from within the industry could take command and accomplish anything—he would have too many scores to pay off, too many old rivals watching him suspiciously. Yet it had to be a man who knew the industry.

Mr. Lamont was a natural choice. He has the necessary experience in big business; he is nationally known; he is not himself a steel producer, but as the former president of the big American Steel Foundries Co. he knows the industry intimately.

Much has been printed about the program which the new steel "czar"—who detests that word—will undertake. Much of it is very guardedly phrased. There is to be more intensive commercial research. There are to be better statistics. Markets are to be broadened by the development of new uses, and protected against the encroachment of rival materials. And so on.

Nobody seems blunt enough to blurt out that what steel men really want is better prices and they think maybe they can get them if a strong commander can get the boys to keep their knives out of one another's backs.

Iceman to Be Armed Against the Invader

ONE of the best assets of the electrical refrigerator industry in its drive for sales has been the iceman. Electric current has no muddy feet, makes no interruption in housewifely routine, distracts the minds of no maids. To the average feminine buyer, all the technical arguments of the invader are as nothing to these obvious advantages.

No one has realized this more clearly than the ice company executive who must depend upon his delivery men for the goodwill of his customers, play them against the devastating moves of the smart salesmen of the electrical refrigerator distributors. The realization has become more vivid since the ice industry started this year its first real out-and-out, tooth-and-nail, no-quarter fight with its new competition (*BW—Jul13'32*).

Now the National Association of Ice Industries is going to see if it can't even things up a little. It will shortly offer to its members a National Ice-Marketing Service built to show delivery men how to handle their jobs so as to strengthen whatever resistance there is left to the onslaught of the electric refrigerator. Ice companies in the Southwest have tried this service out, recovered some of their confidence after observing its results.

In preparation for the dissemination of the course for 1933 the National Association is planning ten "preparational conferences" at strategic points.

California To Skim Facts from Milk Wars

DAIRYMEN are interested in the investigation launched by California's Department of Agriculture to determine the current cost of production and distribution of milk.

Every phase of the subject is to be thoroughly covered. Separate studies will delve into retail store and direct-delivery distribution of fluid milk and into the effect of evaporated and condensed milk sales on the fresh milk market. Procedures employed by the U. S. Department of Commerce in its Louisville Grocery Survey and in its probe of confectionery distribution are being followed with the cooperation of the department's San Francisco office.

Milk distribution is a nation-wide puzzle. In every marketing area, current supplies are far in excess of demand, and for reasons chiefly beyond local control (*BW—Apr20'32*). Producers blame profitless operations on the cost of distribution, distributors retort that these costs have been cut to the minimum, that retail prices are too low. Wars between them have disturbed the milk sheds of many cities.

The California study, covering so large an area, is expected to develop facts that will be of value in solving the distribution problem in various other territories.

Wide World

COMMERCE STEEL

NEW JOBS—*Roy D. Chapin (left) leaves his Hudson Motors desk to become Secretary of Commerce; Robert P. Lamont, former Secretary, resigns to assume the presidency of the American Iron and Steel Institute*

Once Again, the Sweatshops Are In the Men's Clothing Business

Reborn "out of town," they are adding labor troubles to the grief of a sorely harassed industry

THE sweat shop, routed from its native ghettos by intelligent labor and humane employers, threatens to come back in the small towns of the East. So serious is the renascence that the New York district's Amalgamated Clothing Workers of America has gone on strike against it. Between 15,000 and 20,000 members have walked out to force an end of "deplorable sweat shop conditions" brought on by the depression and to stop wage-cutting. They comprise about 90% of the metropolitan men's clothing industry.

Employers are represented by the Clothing Manufacturers Exchange and the Greater Clothing Contractors Assn. The more progressive companies are frankly trying to help the unions. Settlements are being rapidly made with employers who agree to demands. Actually both sides recognize that the industry is being menaced by outside forces, that undercutting of prices by sweated labor in small town shops is as great a danger to the firm which must sell goods as to the man who must sell labor.

Eventual Blame Retailer's

The blame backs up on the retailer who takes the manufacturer by the scruff of the neck and demands low-price clothes or no orders. To get business, one employer undercuts another, going at last to shops outside the union's control zone where unskilled girls and women are willing to work for a fraction of the wages set for similar union employees.

The motor truck and the desire of small cities for new industries combined to injure New York. Example: The Smallburg chamber of commerce has on its hands a deceased hat factory. It is eager to entice a company into town, to take off the factory's "For Rent" sign, to promote work for its people. A clothing manufacturer is induced to re-open the factory. All manner of arguments are dangled under his nose. He may get the use of the building, water, and (where there is a municipal power plant) light free for a year. Or for the same period he may be exempt from city taxes. Spoken or implied is the bait of non-union labor. From the farms about, or from families in town, girls and women can be employed and taught to run machines. Union spokesmen charge that work which would in New York pay $40 a week is placed in the small towns as low as $6 a week.

Odds Against Manhattan

Here are fearful cost odds for the New York employer to overcome. The better class of firm takes it on the chin, attempting to overcome by the superior skill of its workers the handicap of the cheap competition. In the industry, however, are hundreds of concerns which lead a breathless existence. They are insufficiently capitalized. On the nape of their necks they feel the hot breath of pursuing creditors. These must have business at any cost. Price cuts have been the surest lure. To the cheap out-of-town shops their work goes; pressure that the retailer has put on them, they pass along to the maker.

As the depression waxed, the small-town shops naturally increased. There are hundreds of them in New York state, Pennsylvania, New Jersey, Connecticut. Work has been sent from New York to Tennessee and Georgia. Difficult as this problem looked, the Amalgamated found what it thinks is the answer. It discovered two vulnerable points and struck hard at both.

Cutters Hold a Key

Work to the outside shops is delivered and collected by trucks. The bundles are cloth that has been cut in New York; only the sewing and finishing is done at the small town plant. Cutting requires skill and experience, is best done by men. The small-town plants are incapable of performing this work. Cutters, truck drivers and helpers are strongly unionized under the Amalgamated. All these went on strike, the cutters refusing to cut for non-union shops, the drivers refusing to pick up or deliver. Here is a strong combination that carries a fair promise of victory.

All this sounds like a grim business. One pictures gaunt workmen railing and rioting. Actually the crowded streets of New York's clothing district suggest a holiday. Groups of bearded cronies gather on the sidewalks to fill the air with voluble Yiddish and eloquent palms. Among them stalks the blue broadcloth and bright buttons of tolerant authority. The scene is sometimes enlivened by a scrimmage in which a cop is beaned by a pop bottle or a pants presser contused by the rounded hickory of the law. Fatalities usually are the result of deplorable accidents.

These men, mostly Jewish and Italian, make an estimated 40% of the clothes that cover America's men and boys. The value of the products in 1929 for the entire country was $834 millions. Price cuts, legitimate and otherwise, probably have reduced the value 50% from the unnatural boom peaks. (Men's suits have been retailing for $15.)

Sales Hold Well

The making of men's clothes, cut with little change year in and year out, always has boasted a level demand unknown in the field of women's garments where manufacturers go mad trying to guess twice a year what styles the American female will favor. Hard times and all, Department of Commerce figures show that only the production of overcoats has slumped badly. Here is an interesting comparison of monthly averages covering men's and boys' garments:

	Overcoats	*Separate Trousers*	*Suits*
1930	393,000	1,979,000	1,949,000
1931	347,000	1,996,000	1,763,000
1932*	222,000	1,638,000	1,481,000

*4 months.

While the present argument is confined to the New York district, all other clothing centers are feeling the competition of the small-town shops. Perhaps the metropolis and Philadelphia are more directly affected since here the lower priced garments are made. Chicago, Cleveland, Rochester and other centers which specialize on higher-priced clothes believe they are better able to resist the "price chiselers."

Air-Conditioning Show Proves Public Interest

AIR-CONDITIONING has aroused public curiosity; 45,000 Chicagoans visited a 3-week show put on by 21 exhibitors of apparatus. Devices were grouped in 4 general classes: (1) filters, to remove dust and pollens; (2) humidifiers; (3) room coolers, either ice or mechanical; (4) weather control plants operating in connection with hot air furnaces.

Room coolers using ice were numerous, drew much attention. One model was designed to be rented to guests by hotels.

International News

CHROMIUM MASTER—*Dr. Colin D. Fink made a commercial possibility out of a laboratory curiosity. His patents for chromium plating have been upheld by a court decision important to a dozen countries*

Standard Lets Them All In On Hydrogenation Patents

STANDARD OIL, years ago, invented the process of cracking crude oil, patented it, held the patent close, and then for decades fought long, incredibly expensive, and not too successful battles through dozens of courts against infringers, real and alleged. It was not a happy story.

That is why, when Standard of New Jersey acquired from the German chemical trust American rights to the patents for the hydrogenation process, the decision was made to mutualize the patent for the benefit of the whole industry (*BW—Jul23'30*). It was announced that any important American refiner could subscribe to stock in the patent holding company which was created. Subscriptions would become effective if more than 50% of the refining capacity of the industry signed up for Aug. 1, 1932. The minimum figure was 1,467,850 barrels daily capacity.

By the date set, 2,329,200 barrels capacity had subscribed, so Standard of New Jersey formally dropped control of Hydro Patents Co., and new officers and directors were elected. Stockholders are: Standard Oils of New Jersey, California, Indiana, and Ohio; Vacuum, Atlantic Refining, Barnsdall, Continental, Mid-Continental Petroleum, Richfield, Shell-Union, Sinclair, Skelly, Pure Oil, and Texas. Three important refiners not yet in are given until Aug. 31, during which time agreement may be reached on certain points in the contract.

Not every refiner in this long list is convinced that hydrogenation is all the enthusiasts claim for it. Many of them, however, feel it may become important in years to come. High-priced crude would make it increasingly valuable; failing supplies of crude would make it a necessity. So they have taken stock, "in case."

As has so often been explained, through hydrogenation crude oil can be made to yield whatever the refiner wants in the way of petroleum products. If he so desires, he can turn the crude into gasoline, 100%, with virtually no by-products. Coal can be turned into gasoline. Such stunts, as conservative oil men point out, cost money; crude oil just now costs next to nothing.

But that isn't the end of hydrogenation's usefulness. At its Baton Rouge refinery, Standard Oil is turning out Hydro-Lube, a lubricating oil that grades with the best Pennsylvanias, and is making it from a crude of the lowest quality. At Bayway, N. J., from any crude that comes to hand, Standard is turning out special gasolines for aviation. These include the "safety fuel," the flash point of which is so high it cannot be lighted with a match, and the special gas used by the Akron at a reputed cost of $1 a gallon. To be announced promptly is Essolube, a motor oil to retail at 25¢ a quart, for which remarkable quality claims are made.

So whatever skeptics think, Standard feels it drove a good bargain with Interessen Gemeinschaft fur Anilin Fabrik und Farbenindustrie—I.G., for short.

Patent Belongs to Man Who Made It Work

CHROMIUM platers henceforth will pay tribute to United Chromium. Unanimous decision of the U. S. Circuit Court of Appeals, the final court, holds its patents valid. The decision is of importance to a dozen industries, ranging from automobiles and plumbing fixtures to tableware, toilet articles, and jewelry. There are hundreds of plating works; some of them already are under license from United Chromium; a host are not.

Chromium plating has been gaining ground rapidly, partially at the expense of stainless steels, as can be seen in current models of motor cars, and, of course, at the expense of nickel.

Defendant in the patent suit was International Silver Co., for whom Weisberg & Greenwald, consulting chemical engineers, installed a plating process in International's plant in Meriden, Conn. The defense was that Dr. Colin G. Fink, professor of electro-chemistry at Columbia University, inventor, whose patent United Chromium holds, had in fact not been a pioneer, but that the U. S. Bureau of Standards, Eastman Kodak, and Westinghouse Electric & Manufacturing Co. had anticipated him.

The court laid down the interesting ruling that to discover why a process did not work commercially, and to remedy the trouble, entitled Dr. Fink to the patent. It was not necessary that he should have been the first man to discover a method of chromium plating. What he patented was the first process usable commercially.

The essential discovery of Dr. Fink was that the secret of success was to use sulphate (SO_4) as a catalyst and keep it always in the proportion of 1 to

100 of chromic acid, in the plating bath. This made continuous plating possible.

Large stockholders in United Chromium are: American Can, through Metal & Thermit Co., John Pratt of the Standard Oil family, Fisher Body, Union Carbide, International Nickel.

Doughnut Tires Sell Cars, But Are Tough on Car Designers

"DOUGHNUT" tires are going to be an important ingredient in next season's automotive diet. Whether or not they like them, engineers have got to allow for the big balloons in the new models. All because the public likes its doughnuts, and what the public wants it usually gets.

There is no doubt that low-pressure tires have caught the public fancy. Even at present prices, which are high because of limited production, they are selling tires, helping to sell automobiles.

Work for Engineers

Anything which helps to sell cars is, of course, all right by the automobile salesman, and his loud calls for doughnuts are echoing through Detroit drafting rooms to the great annoyance of engineers who have trouble enough designing new models to match new low incomes.

The engineers, whose job is to produce cars at a price, not sell them, say that automotive design is not yet ready for them; that they present many problems which cannot be solved in a hurry and to order.

The very advantages of the big balloons make for disadvantages. More rubber on the road lessens skidding, provides greater traction and braking. On the other hand, these factors mean lower car speeds, greater gas consumption, greater strain on brakes, axles, and frames. Design has to care for this.

Spectacular Performance

Reduced air pressure provides spectacular cushioning qualities; cars equipped with doughnuts roll serenely over railroad rails and curbstones. But, at low pressure, fluctuations become vastly more important. A pound or two variation makes little difference in ordinary tires inflated to 35 or 40 lb., but it means a great deal at 12 to 18 lb. Engineers insist that owners will have to be trained to check inflation to keep it exact.

Moreover, they say, cushioning the bumps muffles steering action as well More rubber on the road and low pressure cause a noticeable lag in steering, make it necessary to use more muscle to swing the wheels. Generally, cars are harder to handle. Again, car design must compensate for this by geared-up or power steering.

Most important is the effect of doughnuts on the mysterious forces lumped under the head of "front end geometry." The super-balloons disturb the whole practice of front end design because they permit axle movements as yet impossible to control. Standing still, a car so equipped may be rolled an inch or more in any direction without moving the tread.

Unless this characteristic is "designed out," there is a tendency to "shimmy" or "tramp," motor words for that frightening oscillation of the front wheels which causes so many service complaints.

Finally, car designers wish the doughnuts might be postponed until price is not so important. Changes in design which the big tires make necessary, in some cases, cost as much as the difference in price class.

Even those engineers who favor the big balloons, or can foresee the inevitable, don't want to be rushed into using them prematurely, point to the grief which came with the first balloons.

Nevertheless, there will be doughnuts at the motor shows. Most major tire companies are now making them. Many cars now offer them as optional equipment. Some of the smaller cars, which can best show off their advantages, may feature them as standard equipment on the 1933 models.

The public likes its doughnuts—instinctively. Mainly because of their appearance. They look big and competent. To the car buyer, they visualize comfort more than springs and shock-absorbers. The car designers will follow this instinct sooner or later. They're just sorry that competition will make it sooner.

Radio Breaks Through The Traffic Jam

RADIO receiving sets for automobiles are selling. Before the year is over, at least 100,000 motorists will have spent $50 apiece to equip their cars complete. Prices are down—car sets last year ran about $55, less tubes and installation.

The Business Week

FATHER AND SON—*Super-balloons, or "doughnut" tires, for automobiles are direct descendants of the tires developed for airplanes. Here is the pioneering General "Jumbo" beside the Army's new low-winged pursuit ship, also General equipped. Photographs of the plane are forbidden*

Sales in 1930 were 34,000 sets; 1932 may yet reach 1931's 108,000, but conservatives are predicting a slight decline, and calling that good performance for this bad year.

Popularity of automobile sets is not altogether easy to explain. Daylight range of broadcasting stations is not great; the motorist who goes for a long Sunday drive is apt to discover he can't have music with the picnic lunch. Some business men say they like to pick up market quotations, but they are few. Music is not very entrancing when mixed with traffic din. And so on. Yet the sets sell.

Proposal for "Mart-Moratorium" Splits the Furniture Industry

Some makers think change to annual shows would speed improvement, tighten control

THE 2-week furniture mart at New York, just closed, and the recent Chicago mart recorded conflicting opinions on the proposed 1-year mart-moratorium, with the result that the furniture industry is split into 2 camps.

Semi-annual marts have long been an institution in the furniture industry. They have given manufacturers an opportunity to present new lines; dealers and department store buyers have flocked to them to look over samples and select merchandise for the season.

Recent years have changed the needs and habits of both buyers and sellers. Long-term commitments and large-quantity advance orders are a matter of history. Rapid price declines, the decimation of manufacturers and dealers, distress stocks, the dumping tactics of insolvent manufacturers, and reduced consumer buying, have all served to make the surviving makers and dealers extremely wary.

More Careful Styling

Manufacturers are now developing new styles and lines more carefully, showing fewer new items, concentrating on numbers that are good sellers. Dealers are fewer, department stores and large furniture houses send but one or two buyers to the marts where previously they paraded 6 or 8 apiece. Where once they bought freely, now they order samples or very limited quantities with which to feel out the consumer. If the number "takes," further orders follow, but only to cover immediate or, at best, 30-day needs.

Manufacturers find that they have to do a great deal of between-mart selling if they want to get their share of the business and this increases their selling expense on a greatly reduced dollar volume. Some of them, anxious to cut costs, now feel that, while an annual mart can be useful and profitable without imposing undue burdens, twice a year is too much. Others, still confident that the twice-a-year buying habit will shortly come back into its own, want to have the twice-a-year marts continued.

A Chicago Squabble

The controversy waxed particularly hot at the latest Chicago mart, where the bid of the recently completed Merchandise Mart for patronage of furniture manufacturers had already split Central Western makers into two groups. Many of those, still loyal to the American Furniture Mart, held in the palatial Furniture Building on Chicago's lake front, were in favor of holding only one mart each year. The rapidly growing colony of furniture concerns in the Merchandise Mart, anxious to reinforce their competitive position, declared for the twice-a-year plan, voted unanimously to schedule the next mart usual in January, 1933.

The latter have found their position considerably strengthened since the Simmons Co., one of the largest and most important concerns in the field, abandoned its floor space in the American Mart, with more than a year of its lease still to run, took 50,000 square feet of space in the Merchandise Mart.

At the New York mart exhibitors voted unanimously for the one-year moratorium, though there is still a chance that the plan will collapse and force them to continue with the old routine.

Meanwhile, leading manufacturers and dealers believe that the furniture industry is at last headed for better times. Some make their favorable deductions from the fact that recent marts have included decidedly fewer cheap lines and revealed that many manufacturers who formerly catered to the price-cutting dealer were out with better goods at higher prices.

Important brokers and commission houses, representing makers of better class goods that aroused little interest during the price débâcle, reported the best business in 2 or 3 years.

Manufacturers, who at the January mart found it necessary to give guarantees against further price declines (*BW —Feb3'32*), have changed their tactics. They are now declining to make any goods until they have orders for them and assuring dealers that this is the most positive way of protecting them against later price cuts or dumping of surpluses.

Dealers and department stores generally are reported to be unprecedentedly low on furniture stocks and some manufacturers are looking for a real spurt in business this fall. They maintain that anything like an upturn would clean out dealers' stocks in 2 or 3 weeks.

Attendance at the New York mart was but slightly lower than last year, with at least as many concerns represented. Reports from exhibitors indicate that the dollar volume of orders placed exceeded last year's total.

Butane and Propane Get Jobs in Factories

PETROLEUM refiners are fast developing new markets for propane and butane—oil-well by-product gases—both because it pays, and because laws of some states now forbid blowing the gases into the air.

In 1926, sales were a half million gallons of liquefied gases. In 1927, they were 1 million; in 1930, 18 millions, and in 1931, 28 millions. Figures for 1932 are expected to show another large increase.

Phillips Petroleum was a pioneer in the market, with its Philfuel. Others are Shell, with Shellene; Skelly, with Skelgas; California Standard Oil with Bu-Gas, the other Standard Oil companies sometimes with brand names, more often without.

The gases are used for city and public utility supply when mixed with air; are used as enrichers for other gas supplies; are sold in containers to domestic users beyond the reach of gas mains, and, most promising market of all, are sold to industry.

Standard of California, for example, recently listed 50 users of butane including A. O. Smith, Globe Steel Tube, Chain Belt, International Harvester, Simmons Saw, General Motors, Chrysler Motors, Pressed Steel Tank.

The industrial form is shipped liquefied, in special insulated tank cars, 10,300 gal. to the car. The gas is so pure it has neither color nor odor. The producer adds a smell, not to warn of danger, for it is non-poisonous and does not explode readily, but to facilitate detection of any waste by leakage.

Lumbermen Think the R.F.C. May Help Them Over a Bad Spot

LUMBERMEN see a chance for salvation in the provision of the Emergency Relief and Construction Act for loans to aid in financing the development and protection of forests. This provision, inspired by the American Forestry Association in the interest of conservation, came to them as a surprise. They are now hoping that it may be utilized temporarily, at least, to enable them to carry on without sacrificing private timber holdings to the saw in order to pay taxes (*BW—Aug10'32*).

Economists of the National Lumber Manufacturers Association are studying the possibilities presented by such a release of credit by the Reconstruction Finance Corp. to private limited dividend corporations in the lumber industry. Even though commercial activity revives, they foresee a trying period ahead. In common with all real estate, forest land values are slow in recovering.

It has been tentatively suggested that lumber companies can organize subsidiary corporations that will comply with the requirements of the statute. Their primary purpose would be to keep forest resources from spoiling competition pending legal or judicial approval of a program for controlling production and marketing.

Unit Management

Discussion of such a program has been speeded up by the U. S. Timber Conservation Board's recommendation that consideration be given to the feasibility of establishing in each region a plan to place the production and marketing of lumber by the principal operating properties under unit management. This is not proposed as a substitute for actual consolidation of lumber producing companies when practicable.

Unit managment would aid, said the board, in reestablishing a reasonable balance between supply and demand and in boosting present price levels that threaten the solvency of the industry. By heroic efforts on the part of leaders, production has been pruned to meet the decline in consumption from 35.5 billion ft. in 1929 to an annual rate of 12.4 billion, but unit control is urged to prevent runaway competition in cutting when prices improve.

The cut in output from 36 billion ft. in 1929 to about 10.8 billion has been accompanied by a decrease in stocks from 13.4 billion to 9.75 billion. This figure would not be considered large in normal times but is declared by the board's lumber survey committee to be an excessive burden on an industry that is operating at only one-fifth of its capacity. The committee recommends a further reduction to 6 billion ft.

In line with the board's proposal for unit control is the plan proposed by Oregon officials (*BW—Jul27'32*) to relieve the critical situation in the Northwest, but this will probably hang fire pending the outcome of the suit brought by the government to test the legality of the bituminous coal industry's regional selling agency plan.

Dr. Wilson Compton, manager of the National Lumber Manufacturers Association, who has been sitting in on the trial of the coal case at Asheville, N. C., stated this week that "contrary to previously published reports, the stabilization plan of the Northwest lumbermen has the cooperation of the National Lumber Manufacturers Association." The Northwesterners and the National organization did not see eye to eye on the tariff, but since then the entire industry, at the instance of the board of directors of the National, has undertaken a survey looking towards a united tariff program.

Canners Again Urged To "Roll Their Own"

CANNERS SUPPLY CORP. is making a drive to sell can-making machines. "Save money; be independent of the big can manufacturers," is the sales argument.

Older canners will remind younger that every cannery used to have its little can shop, or was supplied by a small neighboring factory. Nowadays, can manufacture is a huge industry entirely on its own.

At least one reason for the change has been that most canners have felt they had enough troubles processing their foods, and dealing with farmers and employees, without adding the complexities of supervising an elaborate piece of precision metal-working. The big can makers will guarantee their cans; if the canner makes his own, he runs his own risks.

Moreover, the can manufacturers service the closing machines every canner uses, and carry on free research activities for the benefit of the industry in general.

But can machines have been improved since the days of "roll your own." And costly freight will make canners in remote locations (e.g., Alaska) study the whole situation.

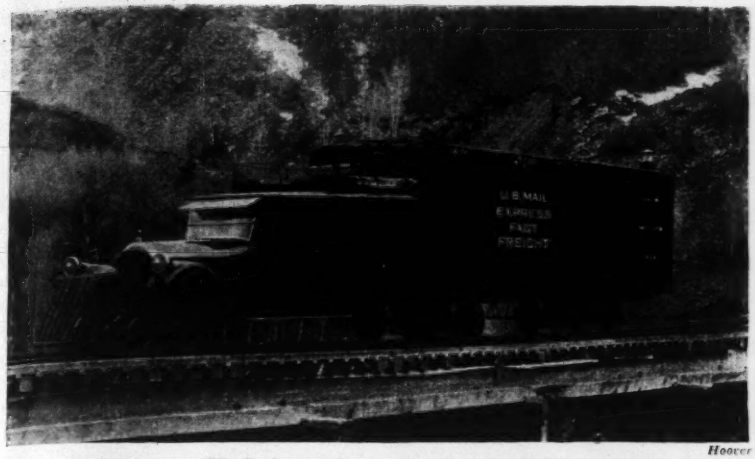
Silk Printers Decline To Police Piracy

UNITED PIECE DYE WORKS has been trying to discourage the piracy of silk designs by refusing orders to print designs that it recognized as not original. Other silk printers, for the most part, have had no such scruples. Now United has decided the best way to get a proper design copyright bill is to let piracy run riot until the industry is thoroughly aroused and ready to do something about it. So it has announced that henceforth it, too, will accept orders to print silk in any design, and "no questions asked."

What's in a Name Without a Patent?

NATIONAL BISCUIT CO. and the Kellogg Co. are fighting over shredded wheat. Patents on the product expired some time ago. National Biscuit Co., conceding that anyone can make shredded wheat, contends it has an exclusive right to the name. Kellogg is marketing Kellogg's Shredded Wheat, called just that. The Supreme Court, W. K. Kellogg insists, has ruled that when patents expire, any manufacturer may not only make the product, but also call it by the name under which it became known when patented, provided only that he makes it clear it is being made by a new manufacturer.

Now there is litigation, the latest phase being Kellogg's counter-move of suit against N.B.C. charging violation of the Sherman Anti-Trust Act and claiming triple damages, totaling $3 millions.



Hoover

ECONOMY EXPRESS—*With these "limousine freights," Victor Miller, young Denver attorney, reduced operating costs on the little Rio Grande Southern R.R. He hopes to do the same for the $3 million South Park R.R. "given" to him by Ralph Budd of the Burlington. The units are heavy second-hand automobiles grafted on light box cars. Train crew is one man. Costs are cut from a dollar to a few cents a mile*

Tax Experts Have Had to Thread Way Through a Tortuous Maze

Business presents complications never dreamed of in Congressional philosophy

SLOWLY and not too surely, with headaches for government officials and sore heads among the citizenry, the confusion attending the administration of the new tax law is being cleared up. Meanwhile, the Treasury has been getting a liberal education in the amazing ways of American business. Even the hardened tax experts have been startled by some of the complications they have been called upon to unravel.

For instance, the act imposed a 3% tax on commercial and domestic electrical consumption, exempted industrial use. The Bureau of Internal Revenue immediately found that it had to work out a fourth classification to cover a myriad of uses which fell outside the old Bureau definition of "industrial" as appertaining to an activity which produces goods for resale. Laundries don't produce goods for resale and a telephone's use of electricity for its network falls outside the routine classifications. Sometimes one consumer takes current off the same meter for more than one kind of use. The Bureau hasn't named its fourth class yet but it is letting the old word "industrial" cover every use that isn't commercial and domestic.

"Manufacturer" is another word that has had to be redefined. A great many so-called manufacturers of toilet preparations do little more than buy the raw materials in bulk and place them in small containers. Is that manufacturing? The Bureau decided after many qualms that it was.

A typical complication was encountered in the electrical refrigerator industry. Many refrigerators are sold under a 3-year guarantee. During that period all parts that wear out are replaced free of charge. The question arose as to whether the tax would apply on a new compressor, a new expansion unit, or one of the other major component parts mentioned in the law. The manufacturers claimed that no tax could be levied against replacements under a guarantee that was part of a sale made prior to June 21. The Bureau debated, agreed with them.

In one important ruling the Treasury swept away the last vestige of doubt clinging to the right of an individual or corporation to substitute drafts drawn upon himself or itself for payroll checks and thereby escape the check tax. The decision O.K.'s the exemption of such orders from the tax so long as the bank "is under no obligation to the drawer, direct or implied, and is without authority to charge the amount of the order against his account." Having taken care of the technicalities, the drawer can, of course, reimburse the bank for a run of such orders by a check that is drawn against his account—and is, therefore, taxable.

Some Final Rulings

Further redefinitions and reclassifications are implicit in the flood of new rulings that has come out of Washington in response to thousands of inquiries. Here are some special cases in which the Commissioner of Internal Revenue has been definitive:

A tax must be paid on admission to a state university stadium; the tax is levied on the individual who is admitted, not on the university.

You can't get out of the amusement tax by charging 40¢ for admission and allocating the other 10¢ of a 50¢ ticket to hat-checking charges.

Liquid soap may be a toilet preparation to some people. The Revenue Bureau calls it a toilet soap and lets it get by with a 5% tax, instead of a 10% one.

Fountain syrups, taxable at 6¢ a gallon, are sometimes bought by fountain operators in concentrated form. But they have to pay on the diluted gallonage sold to the consumer.

Postoffice Vexations

Treasury officials are not the only government employees to whom the new taxes have brought grief. Postal experts have had their hands full, too. The 1¢ rise in the basic rate on first-class postage—which brought a 30% drop in the volume of first-class mail at the New York Post Office—has driven many a private letter writer and many a small business man to postcards. However, one thing that postal regulations are firm about is that "duns" for past-due bills must not be transmitted on 1¢ postcards. You can send a man a card asking settlement of his current account or telling him when an account will be due, but the card must not contain notice of balances that have not been paid, threats to sue, remarks reflecting on your debtor's conduct, or other matter tending to expose him even to the mail carrier. The post offices have been flooded with inquiries asking it why not, calling for approval of suggested dunning messages. One grocer-communicant submitted 57 drafts of a postcard dun in the hope that at least one request for payment of a past-due account would get by.

Six-Hour Day Promises Real Savings to Railroads

And the unions may use their figures to urge a time cut in place of the anticipated wage slash

RAILROAD accounting officials threw down their pencils in amazement this week when, in figuring at the I.C.C.'s request what a change-over from an 8- to a 6-hour basis would cost at six-eighths of the wage for 8 hours (*BW—Jun8,Jun29'32*), they found that the wage bill would be considerably lower, despite an increase in the number of practically all classes of employees and more overtime in road services.

Having included allowances for work-spreading and for more overtime, they arrived at a total charge of $2,444.5 millions, or $145.7 millions less than their actual payroll in 1930. This is a preliminary, approximate figure. Sundry deductions from this apparent saving must be made. Furthermore, it would shrink considerably if applied to the 1932 instead of the 1930 payroll, but it is large enough to set rail executives to wondering whether the unions won't use this as a foil against a larger wage deduction next Feb. 1 when the 10% agreement expires.

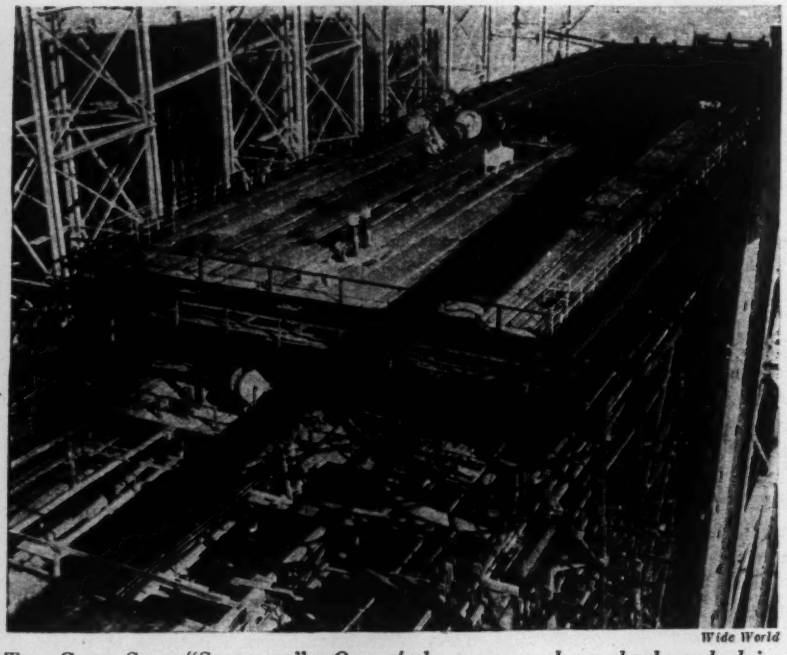
From the standpoint of the labor executives this price for establishing the 6-hour day and putting a large number of men back on the payroll would be small, but the rank and file now working can be counted on to oppose it.

The 10% deduction last February, that on the basis of the 1931 payroll was estimated to cut off $220 millions, actually produced savings during the first 3 months of its operation at an annual rate of $179.8 millions. This total reflects, of course, much heavier reductions for non-contract employees.

The number of men employed by the Class I roads has dropped 27,000 since January as the constant decline in the volume of traffic has, in practical effect, released the managements from their pledge to use the money saved by the 10% cut to employ more men.

In railroad quarters a further reduction of possibly 20% next February has been regarded as a foregone conclusion, although there is some talk now that a definite improvement in business would serve at least to temper the blow if not to avert it entirely. Another cut would place union men more nearly on a parity with non-contract employees, whose cuts are running as high as 30%.

Delaware & Hudson has devised its own rules for stabilizing employment while deflating the payroll. Mr. Loree's road did not participate in the 10% cut last February but by negotiation culminating late in July with the trainmen, last of the four brotherhoods to agree, substituted a monthly for a mileage basis of pay. Regular employees are paid for 240 hours per month, whether they work or not; extra men are guaranteed 160 hours, increasing to 240 if their services are required.



Wide World

THE GOOD SHIP "SEATRAIN"—*One of the two vessels, to be launched in the fall, on the ways at Chester, Pa. Each will carry a 100-car train, loaded car by car through these big hatchways. There are 4 decks*

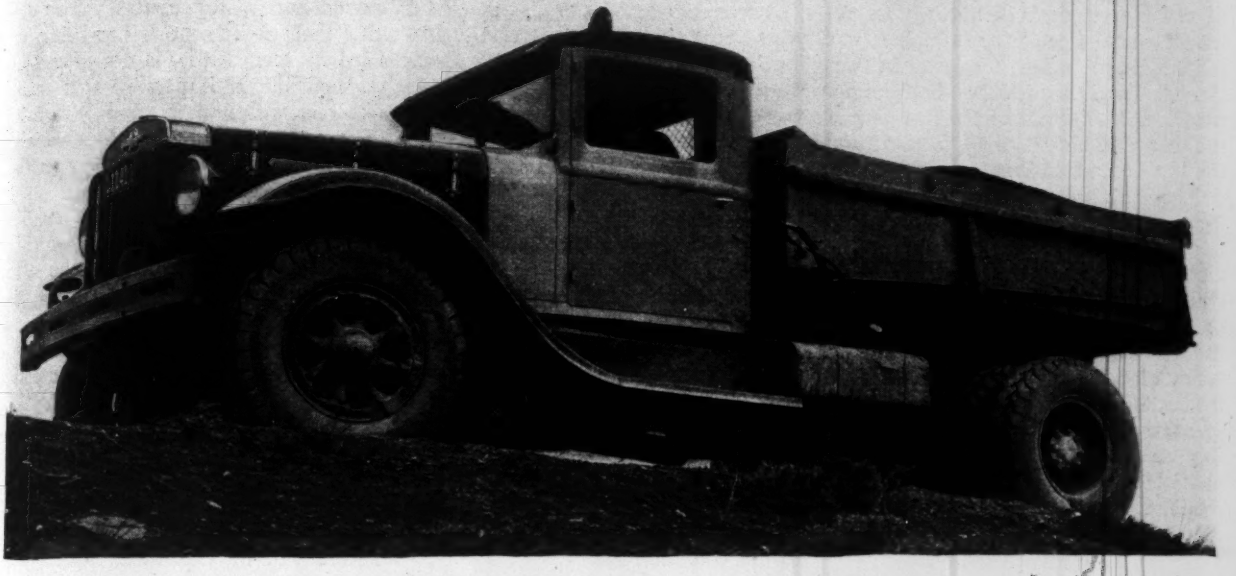
Seatrain Ships Get New York Terminal

HARDENED salts of the New York waterfront will question their eyes this fall when strange looking craft warp into a Hoboken wharf and start disgorging loaded freight cars. Nearing completion at the Sun Shipbuilding Co., Chester, Pa., are two $1½-million car-carrying steamers of Seatrain Lines, Inc. (*BW—Jan27'32*). With the ancestress of the line, now plying between New Orleans and Havana, the fleet of three will begin in October a unique service between those ports and New York.

The new boats' innards have a mile of track on 4 decks which can carry 100 loaded box cars in the heaviest seas. They are built on designs by Graham M. Brush, Seatrain president, who perfected the method of anchoring the wheels, and also the special cranes that hoist the cars bodily from the dock to the ship's hold. Cars loaded with freight anywhere in the United States or Canada can be lifted off at Havana and pulled direct to any destination in Cuba. Savings effected at the docks are expected to overcome the expense of transporting the heavy cars. Seatrain has acquired the Hoboken Manufacturers' Railroad which connects with the belt line. There the special dock apparatus is being prepared.

Enthusiasts predict that some day freight cars will be so transported between Europe and the United States. (How the little European "goods vans" could be safely coupled with heavy American freight cars is not explained.) The 2 boats are being built by the aid of a government construction loan. Generals and admirals believe they could easily be converted into aeroplane carriers or heavy artillery transports.

"I never Owned, Hired, or Saw a Truck so good!"



GEORGE H. SPARLING of the Sparling Sand & Gravel Co., Fort Wayne, Ind., writes the following about his fleet of International Trucks:

"I have been in the gravel business for over 10 years and in all my experience I never owned, hired, or saw a truck which I consider as good as the International. I believe in using trucks built entirely of truck parts, in buying from a company which can and does give adequate parts and repair service when needed, and one which manufactures a complete line of trucks."

You, too, can profit by turning *your* hauling over to International Trucks.

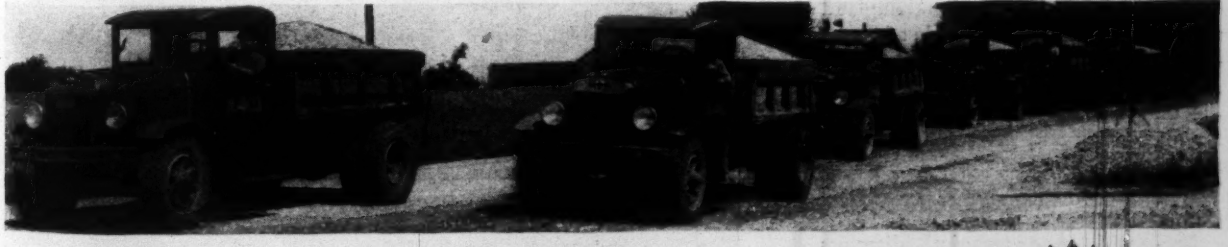
188 *International Company-owned Branches* and service stations in the United States and Canada protect these trucks on the job. See the nearest branch or an International dealer for information, or write us direct. Sizes from ¾-ton to 7½-ton.

Ask for demonstration of the New 1¼-ton 6-cylinder Model A-3

$795

for the 136-inch wheelbase chassis f. o. b. factory

INTERNATIONAL HARVESTER COMPANY
606 S. Michigan Ave. OF AMERICA (INCORPORATED) Chicago, Illinois



Part of the International Heavy-Duty Fleet owned by the Sparling Sand & Gravel Co., Fort Wayne, Ind.

INTERNATIONAL

INTERNATIONAL TRUCKS

Education Gives Business A New Lead on the Talkies

If students can take them seriously, maybe customers don't have to be amused

It is nearly 3 months since the education business and industry signed one of the biggest deals in history. Its potential dollars and cents value was played down when the bargain was signed. Even now it isn't wholly recognized. But shipment of the first part of the order is about to go forward and the business world is speculating over it.

The University of Chicago and Erpi Picture Consultants, Inc., division of the Bell System, are parties to the deal. Chicago, according to 33-year old President Robert M. Hutchins, is not going to "jazz up education," but simply add the talkies to the usual routine of lectures, blackboard, laboratory, and book instruction. Erpi, according to the aggressive Col. F. L. Devereux, is realizing an ambition to make the talkies something more than an amusement medium. Four years of industrial research are involved.

Lecture Talkies

Simply stated, the University of Chicago plans to supplement present courses with 10-minute talkies on fundamentals. The greatest authorities will be asked to outline the best lecture-talkie on a given topic.

Five of these scenarios are ready to be delivered within the next 10 days. The University of Chicago will use them in freshman courses. The University of Chicago Press will act as distributor. Any school can purchase any one of the films for $50. It can be shown on a standard 16 mm., $550 projector in any normal-size class room, or in a lecture hall seating up to 400.

More than 200—ranging from one of the most prominent New England universities to the high schools of Texas—have already signed up to buy the films. Before the end of the semester the university expects to have the first 20 films ready and in use. All of this first group are on the physical sciences. There will be 254 in the first complete course as now planned.

Erpi will have technical directors handling the films. Erpi's parent companies—Western Electric and American Telephone & Telegraph—will sell projector sets, sound apparatus.

Broadest significance to business is the potential influence of the new project on merchandising.

Advertisers turned to the movies 2 years ago as a new medium. Advertising "shorts" had their day, but it was a short one. Even when the advertising was confined to the bare mention of the advertiser once or twice, it aroused resentment in audiences who had paid for entertainment.

The Erpi–Chicago deal gets away from the amusement idea, buckles down to education fundamentals. President Hutchins thinks he may be able to push the first 2 years of university work back into the high schools, because the new system in the experimental stage proved that students absorbed 60% more in one-fifth the time when they saw simultaneously what was being explained to them in a lecture. Business believes it can educate its customers equally well. It is shifting from the amusement idea to the education theory.

Armstrong Cork & Insulation Co. is using the theory to sell individual customers its new Temlok, a fibreboard insulation (*BW—Jul18'32*). Portable sound apparatus is being carried around on a truck to lumber-dealer customers.

In Great Britain, Lever Brothers are selling their Lux soap by means of portable sound pictures.

In New York, one of the talking motion picture studios is studying the possibilities of photographing industrial experiments with motion study. Machine manufacturers, for example, may find that their equipment is not being utilized most efficiently, is not thoroughly understood. It is possible that manufacturers will find it good advertising to run off a short talking film showing how the machine can best be operated.

Cooperative Program

Perhaps the most ambitious application of the educational theory which is being adopted by industry is the plan, now in process of development, by which 20 manufacturers of household furnishings—from wall paper to rugs—will present their products to potential customers through a series of morning talkies. Experts in decoration will completely furnish (on the screen) 17 rooms before a selected audience of housewives in 100 key communities. Style will be a dominate note. Each fixture will be explained. Color will be used in the photography.

Wide World

SHELVES FOR COMMUTERS—*How the Pennsylvania plans to provide more seats for Long Islanders. In this double-deck car, passengers need go up or down only one step; capacity is increased from 76 to 120 seats*

Wholesalers Still Do A Formidable Business

WHOLESALERS have been less concerned about their place in the sun since they have been reading the figures on the Wholesale Census of Distribution just released. These, supplying the first authentic data on the business of wholesaling, indicate that, in some lines, at least, the wholesaler holds an unassailable position.

The census reports 169,702 wholesaling establishments with net sales of $69,291 millions in 1929. A split-up of this total shows that 8.6% of the sales ($6 billions) went to 10,518 dry goods and apparel wholesalers; 4.9% ($3,365 millions) to more than 23,000 wholesalers of petroleum and its products; 4.4% ($3,058 millions) to 11,855 concerns wholesaling machinery, equipment, and supplies; 3.5% ($2,435 millions) to 3,870 electrical wholesalers; 3.3% ($2,555 millions) to 4,600 automotive wholesalers; 3.1% ($2,144 millions) to 5,513 wholesalers of lumber and building materials; 3% ($2,058 millions) to 4,023 wholesalers of chemicals, drugs, and allied products; 1.2% ($866 millions) to 1,789 hardware wholesalers.

Wholesale and Retail

Those interested in tracing the flow of certain commodities all the way through to the consumer have found some difficulties in reconciling some of the figures of the wholesale census with those of the retail census of distribution. For instance, manufacturers of food products note that sales reported by the retail census account for less than 60% of the food sales now credited to wholesalers, a difference that not all the retail sales of restaurants and other outlets of food could make up. In the same way, electrical manufacturers are wondering what classes of goods make up the total of $1,363 millions sold by 1,901 wholesalers of electrical goods and appliances, and to whom they were sold, since the retail census specifically accounts for only a fraction of this total.

More Data Wanted

Those familiar with wholesaling operations believe that the census report will stimulate the appetite of business for more comparative data of the type that only the government can supply. Having had an opportunity to test the value of this kind of service, individual concerns and trade organizations will be more ready and willing to cooperate with the Census Bureau's efforts to compile authentic and comparable data of wide use to business.

Make your Package *speak for itself!*

Your dealers have *so many* items to handle—they have not the time to "push" your goods, even if they would like to.

This puts the real burden of selling on the package—it must speak for itself. And it *can*—most convincingly!

Your package can say as plainly as words that your product is of *finer quality*. Superior appearance will do it.

It can say that the goods are *fresh*—in perfect condition. Wrapping which clearly indicates the utmost protection against deterioration will do this.

Your package may be so designed that the *goods* themselves can be seen through a transparent wrapper—an effective way to create appetite appeal or to show the special advantages of a product.

Our widely diversified line of machines meets the individual requirements of a great variety of products. These machines are adaptable to every type of packaging material—printed wrappers, transparent cellulose, glassine, waxed paper, foil, etc. Thus we are ideally situated to carry out your package improvements.

Keep an Eye on Cost, too

We can also assist you in keeping your packaging costs at a minimum. Our machines are as well known for their economy as for the fine packages they produce.

To improve your package . . . to lower your costs . . . or to devise a means of packaging a new product—get in touch with us.

PACKAGE MACHINERY CO., Springfield, Massachusetts
New York Chicago Los Angeles
London: Baker-Perkins, Ltd.

PACKAGE MACHINERY COMPANY
Over 200 Million Packages per day are wrapped on our Machines

Bright spots in the business picture as seen by McGraw-Hill editors

F. E. SCHMITT
Engineering News-Record

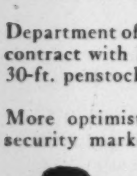
Since midyear a definite upturn in engineering construction is in progress. In some districts the volume of contract lettings began to rise as early as March, but the increase did not become general until the end of June, when declines are normally in order. This sign of recovery is supported by a reversal in the long downward trend of prices, some key materials having gone to definitely higher levels. A very important further influence will result from the activities of the Emergency Relief and Construction Act, which when fully applied will provide direct employment for many hundred thousand workers.

R. K. TOMLIN, JR.
Construction Methods

Highway construction going strong all over the country. First two weeks in July nearly ten million dollars awarded on contract for road work in five states — $3,000,000 for New York, $2,371,657 for Illinois, $1,897,571 for Texas, $1,135,575 for Ohio and nearly a million for Pennsylvania. Later on Texas received bids for $4,704,000 more work.

Department of Interior has signed $10,908,000 contract with Babcock and Wilcox to supply 30-ft. penstocks for Hoover Dam.

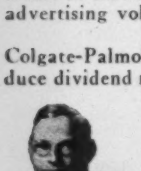
More optimistic sentiment in banking and security market circles has been stimulated by the expansion of trading, the steady but not too rapid rise of prices in the past two weeks, the strength of the bond market, evidence of reviving interest in new investment issues, improvement in commodity prices, and general stability in industrial and trade activity, with scattered signs of increasing employment.



M. A. ROSE
The Business Week

Some folks still have faith in advertising. B. F. Goodrich officials ascribe their 26% increase in first-line tire sales to their increased advertising volume in newspapers.

Colgate-Palmolive-Peet directors vote to reduce dividend rather than curtail advertising.



N. C. FIRTH
Management Methods

Using an efficiently coordinated sales control and industrial advertising plan, a large Eastern oil company increased its industrial lubrication sales 30% in the first quarter of 1932 over 1931. Second quarter about 40% up.

Unusually bright spots in the food industries are the increased price of milk in New England which adds $1,600,000 monthly to the dairy farmer of that region; improved butter prices, which rose rapidly the last week in July, add $500,000 to the value of butter in storage and if sustained, as seems likely, add another $2½ millions to the value of July's production. The upturn in the price of butter forecasts improved consumer buying power.

L. V. BURTON
Food Industries

Those who buy foodstuffs for future sales and hold in cold storage are beginning to load up in a normal manner.

New construction in the food field actually awarded to bidders in July totalled $2,654,500 for buildings alone.

Reports of greater activities in the textile, rayon, tanning, glass and paint industries, which are large consumers of chemicals are reflected in chemical production expansion.

Outlook for process machinery and equipment improved by plans of: State Department of Health, Hartford, Conn., to build laboratory; J. S. Barnet and Son, Lynn, Mass., to build leather factory; Pharma Chemical Co., Bayonne, N. J. to rebuild chemical plant; Capstan Glass Co., Connellsville, Pa., and Fairmount Glass Co., Indianapolis, Ind., to build glass plants; A. & M. College, College Station, Texas, to build laboratory buildings; Indian Rock Lime Co., Indian Rock, Va., to install plant for production of chemical and hydrated lime products; Connecticut Hydrogas Corp., to construct oil refinery at Portland, Conn.

S. D. KIRKPATRICK
"Chem. & Met."

Sherwin-Williams Co., largest domestic manufacturer of paints and related products, reports orders have been more substantial recently than at any other time this year.

International Silver Company boosted prices on most of its lines from 10 to 18%.

L. E. MOFFATT
Electrical Merchandising

Lever Bros., soap manufacturers, are now spending their record amount for advertising, have made no salary cuts and are running overtime.

Procter&Gamble passed usual two weeks' shutdown in July due to so much business.

In June 151,775 domestic electric refrigerators were sold. A year ago 119,761 were sold.

E. P. WARNER
Aviation

Seven of the major airlines have recently entered into an agreement to facilitate and standardize the handling of air express matter. This development should play an important part in the national transportation picture of the near future.

Airlines continue to show steady gains. During the first five months of this year 170,498 people rode the airlines as compared with 169,816 during the first six months of last year. The fact that much of the equipment now in use is approaching obsolescence, is being reflected in aircraft manufacturing. Several new designs are now under way, and the first of a fleet of 60 new transports now being built by the Boeing Aircraft Company of Seattle, is almost ready for flight testing.

J. A. MILLER
Transit Journal

Moore Steam Turbine Company, Wellsville, N. Y., is operating 16 hours a day.

Buying of maintenance materials and supplies for the upkeep of transit properties continues at the rate of about $8,000,000 per month despite the somewhat reduced number of passengers being carried.

Improvement projects involving expenditures of more than two million dollars have been undertaken by the transit industry in the United States during the past 30 days. Included among these projects are the installation of equipment for rapid transit lines in New York and Philadelphia, purchase of new cars for the street railways of Indianapolis, the extension of the trolley bus system at Chicago and the purchase of a substantial number of new motor buses by numerous transit companies throughout the country.

C. W. STOCKS
Bus Transportation

One hundred 1½ ton trucks were delivered recently to the Pennsylvania highway department by the truck division of Dodge Bros. Corp.

Better business during June than in any month this year was reported by leading motor carriers in the state of Washington. Plans are under way for three new bus terminals for Washington, D. C., to meet new traffic regulations. Dubuque, Iowa, became "all-bus" during July, thus completing a plan announced two years ago. More buses are to be put in service in Columbus, Ga. Central Railroad of New Jersey has inaugurated bus service in partial replacement of train connections with steamers which ply New York

Harbor. Eastern Steamship Company has contracted for bus service between its boats and certain ports of call in Maine. St. Louis will soon place an order for 15 new buses for expansion purposes.

The Cleveland Steel Products Co., manufacturers of Toridheet oil burners, did 140% more business the first five months of this year than in the same period a year ago.

A. W. ALLEN
Engineering & Mining Journal

On or about August 16 bids will be received for an $8,000,000 superstructure for the $75,000,000 San Francisco-Oakland Bay Bridge.

Operations were resumed on July 18 at the mines and plants of Utah Copper Company; 1,500 men are being given 15 days' employment each per month. Ore production is to be at the rate of 10,000 to 11,000 tons per day.

W. F. Hayden, mining engineer of Salt Lake City, is reported to be in charge of ambitious plans to develop two large gold-mining properties in Southern Oregon. Large development and equipment expenditures are involved.

O. H. CALDWELL
Electronics Radio Retailing

Discovery of what is considered to be the mother lode of a large area of gold placer ground in Idaho is stimulating interest in the possibility of extensive lode-mining developments in that state.

Buying of lead has been active. The largest weekly total since October — 7,500 tons — is reported. On July 25 prices advanced 5 points. On July 27 the New York quotation rose to 2.80c. Price advanced on July 28 to 2.95c. Increase in movement into consumption channels is indicated.

Marked improvement has developed in textiles. Mill operations have increased; sales are expanding; prices generally are firm or rising. Much of the improvement of course reflects accumulation of postponed buying.

D. G. WOOLF
Textile World

Boger & Crawford, Philadelphia and Lincolnton, N. C., are now running on a full time schedule. The spinning mill at Lincolnton is being operated on a day and night full time schedule while the mercerzing plant at Philadelphia is running on full time day schedule.

Strengthening of the bond market enabled utilities to sell about $100,000,000 of bonds in July. Stability levels have apparently been reached in electric power consumption. A revival of utility buying is indicated by the $8,000,000 construction program of Pacific Gas & Electric Co. and the $8,500,000 program of the Philadelphia Electric Company. Prevalent opinion exists that major deflation forces are spent.

L. W. W. MORROW
Electrical World

About $900,000 worth of motors, pumping machinery, and loading equipment will be installed in the bulk oil storage and distributing plant of Standard Oil at Quincy, Mass.

The New York Telephone Company is spending $9,000,000 during the summer months for construction in various parts of the Empire State.

Completion of hydro-electric projects now in course of construction in the province of Quebec involves a capital outlay in excess of $75,000,000. This figure covers only those developments now actually under construction. Projects contemplated call for an additional $250,000,000.

G. C. TENNY
Electrical West

Los Angeles Bureau of Power & Light authorized on June 8 a call for bids on a steam plant to be built immediately. About $4,000,000 in cash is on hand to the credit of the Bureau to finance early operations.

Metropolitan Water District, Los Angeles, Calif., plans project from Boulder Canyon, Nev., to Los Angeles to include transmission lines, transformers and substation equipment, to cost about $5,000,000.

J. CARMODY
Factory & Industrial Management

July was the biggest month in the history of the Kellogg Company, Battle Creek, and contracts will be awarded immediately for additional factory buildings. The company added more than two million dollars to its regular advertising and sales program because, as one official said, "Sales and advertising dollars have less competition this year."

The Owens-Illinois Glass Company has joined the ranks of those concerns that are finding it profitable to change from three 8-hour shifts to four 6-hour shifts. Plants will operate six days a week and the company will thus be able to provide employment for a larger number of workers. The glass industry has always operated 24 hours a day.

K. H. CONDIT
American Machinist Product Engineering

The Western railroads are returning a number of men to work in their car shops. The Great Northern Railway alone hired nearly 1,800 men on a full time basis last month. Excellent crop prospects indicate that there will be heavy tonnage to be moved.

The India Tire and Rubber Company has added 35% to its working force, and has restored salary and wage levels as a result of cooperative action by factory workers to increase sales and reduce production costs, including reduction of maintenance costs by 50 per cent since 1929, and adoption of 6-hour, four-shift working plan. Recently many departments have been operating seven days per week.

L. C. MORROW
Maintenance Engineering

The Alpha Brush Company, of Troy, N. Y., recently completed a modernization program which included junking a 100 hp. steam engine and replacing it by electric motors for power transmission. The initial capital expenditure for modern equipment will be written off in about two years.

A $2,000,000 general contract for the construction at South Amboy, N. J., of two manufacturing buildings, machine shop, warehouse, office and welfare building has been awarded to Wigton-Abbott Corporation, by the Titanium Pigment Company.

Julius Forstmann Co. has just bought three 60,000-lb. steam generating units for its plant at Passaic, N. J., and two 80,000-lb. steam generating units for its Garfield, N. J., plant.

E. C. HUTCHINSON
Power

The Potomac Power Company has awarded contract to Stone and Webster for a $6,000,000 power house to be built on the Anacostia River, Washington, D. C.

Radio broadcast advertising is increasing. The National Broadcasting Co. closed the best six months of network advertising business in its history.

Anthracite activities took a sharp spurt in the closing days of July, with announcements by two major producers that a number of mines closed down for months would resume operations. More than 2,000 men employed at the Prospect, Henry, Warrior Run, and Maltby mines of the Lehigh Valley Coal Co., Wilkes-Barre, Pa., idle since May 4, returned to work on July 27.

S. A. HALE
Coal Age

Ewen Colliery, Pittston Coal Co., Scranton, Pa., reopened Aug. 1, after a long shutdown, giving employment to 1,400 men. Operations at the Underwood and No. 1 collieries of the same company, temporarily suspended in recent weeks, also were resumed on Aug. 1.

The Eureka Vacuum Cleaner Co. reports for the first six months net profits of $18,420. The corresponding period last year had a deficit of $313,582.

An advertisement by

McGRAW-HILL PUBLISHING COMPANY, INC.

Loving, Lawing and Dying Levy Big Toll on the Consumer Dollar

17. The American Consumer Market —A Study by The Business Week

THOUGH taxes have the reputation of being the most inevitable item in the national consumer budget, and must be considered by American business as an important obstacle to the expansion of consumer expenditures in other directions, they are by no means the only one of the kind.

Americans must spend a considerable sum each year as individuals in connection with circumstances over which they have more or less uncertain control. Death has always been linked by proverb with taxes as inescapable; but long before that fatality overtakes the consumer and ends his consuming career but not his expenditures, there are the nuptial preliminaries which started him on that career; there is his own marriage upon which the state and various professions levy their little toll; there is the divorce which may await him in the course of human events, the legal entanglements involved in it and in other of the changes and chances of life, the fines he may have to pay, the naturalization fees which admit him to the privileges of citizenship, and other such incidentals of his civil life, which comes to a close with the modest tombstone or magnificent monument, in an obscure cemetery plot or an imposing vault, and usually with a large undertaker's bill.

All these miscellaneous outlays, more or less associated with the consumer's career as a member of a civilized society from the time he appears in the consumer market till he is finally taken out of it, have been grouped under the heading of civil expenditures, for want of any more descriptive term.

Taken together, as shown in the accompanying table, they amount to a substantial sum, well over a billion a year in recent years. Their chief importance in a picture of the American consumer market is that, for the most part, they are expenditures which take something away from the consumer's ability to buy other goods and services from business sources, and nothing much can be done about it.

The most important of the items, those connected with the demise of consumers, are of course of some commercial moment, since there are fairly significant business interests involved. Somewhat more than half of the total civil expenditures are for the costs of burial, cemetery plots, vaults, tombstones, and monuments. These outlays grow rather steadily from year to year, largely with the increase of population and of the number of deaths, and do not reveal any definite tendency to respond to a higher standard of dying as other consumer expenditures do to a higher standard of living.

The other similar items, marriage licenses, divorce court fees, and naturalization expenses, likewise seem to be fairly steady from year to year, though the naturalization item would probably show more rapid growth but for the curtailment of immigration.

Expenditures for legal services, which relate only to those of individuals and exclude business outlays for this purpose, show the most rapid increase, reflecting perhaps the tendency of individuals to become involved in difficulties and entanglements with the courts in an increasingly complex civilization. Equally striking as a symptom of the same thing is the high rate of growth in fines and penalties paid by individuals in connection with customs snarls, or other casual conflicts with state and local governments. This may be, more than anything else, a reflection of the increased use of automobiles, the spread and complexity of traffic laws, the difficulty of avoiding their violation, and the ease with which revenue can be derived by local governments from real or imagined violations of them.

The items in this group bring to an appropriate close the detailed analyses of the major classes of consumer expenditures. In the last 3 articles of this series will be presented a picture not of how the consumer's dollar is spent but of who spends the money that makes the American consumer market —an analysis of consumer expenditures by income classes; and at the end some attempt will be made to explain the apparent paradox that arises out of this study as a whole, the puzzling fact that over the entire 12-year period the value of the goods and services consumed in the American consumer market seems to exceed by many billions the total national income.

Utility Holding Co. Earnings, by Groups

HERE is a list of 13 utility holding companies, together with a computation of their 1931 net profits per dollar of total capitalization. It is possible to debate whether the method used presents an adequate picture of their condition. The essential point is that the same method is applied in each group.

Civil Expenditures of American Consumers
(Millions of Dollars)

	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Marriage Licenses	6	6	6	6	6	6	6	6	6	5	6	6
Divorces	14	17	16	15	17	17	18	18	19	20	20	19
Naturalization Fees	1	1	1	1	1	2	1	1	1	1	1	1
Death and Burial Expenses	235	251	248	282	298	302	309	328	353	407	411	422
Cemeteries, Vaults, etc	110	120	123	137	144	165	186	205	227	245	277	295
Tombstones, Monuments	39	41	41	49	57	58	58	59	59	60	61	56
Legal Services	165	184	174	187	193	195	214	238	260	297	328	351
Fines and Penalties	24	30	31	33	37	38	44	45	47	49	50	53
GRAND TOTAL	594	650	640	710	753	783	836	900	972	1,084	1,154	1,203

Companies with income statements and balance sheets based upon consolidated reports of both subsidiaries and top company:

American Light & Traction, 4.6¢; American Water Works & Electric, 1.6¢; Columbia Gas & Electric, 3¢; Engineers Public Service, 1.2¢; North American, 3.9¢; North American Light & Power, .9¢; Niagara Hudson Power, 2¢; Standard Gas & Electric, .8¢; United Gas Improvement, 5.3¢.

Companies for which only holding company figures are available:

Electric Bond & Share, 8.8¢; Electric Power & Light, 2.1¢; Middle West Utilities, 5.3¢; National Power & Light, 6¢.

Some of these figures were presented previously (*BW—Jun29'32*), without thus distinguishing between the two kinds of financial statements. Thus misleading comparisons were made of figures not comparable.

Taxpayers' Funds Buy Citizens' League Food

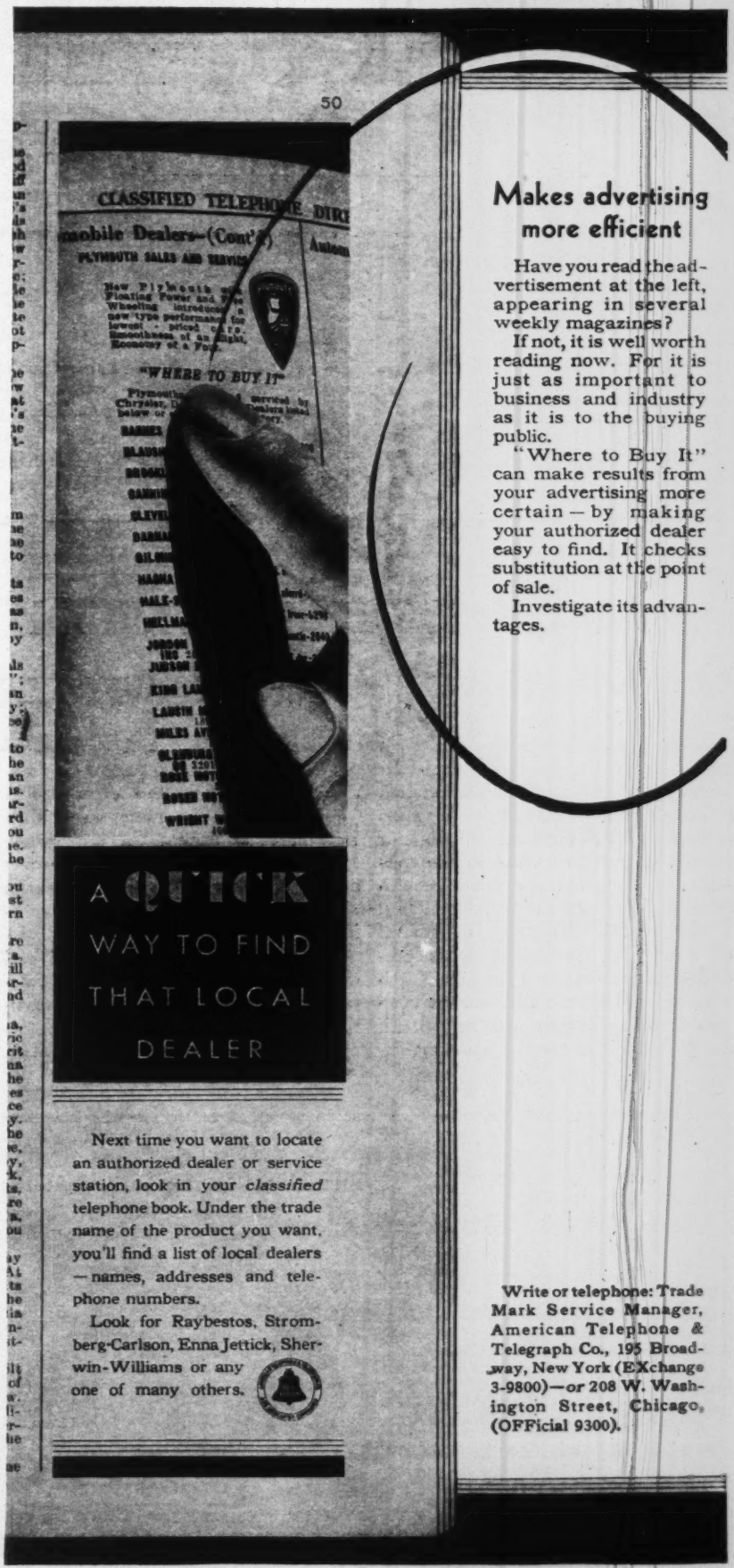
DESCRIBING the Unemployed Citizens' League of the Northwest (*BW—Jul27'32*) it was stated that the League "has kept over 40,000 persons in food, clothing, and shelter without money and without accepting the ordinary forms of charity."

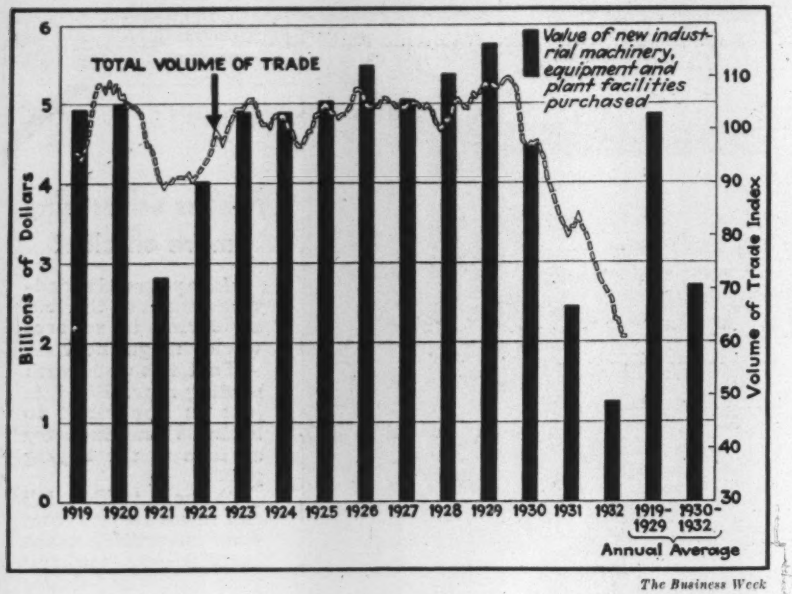
Various correspondents call our attention to the fact that the League receives public funds. Seattle and the county are spending an average of $2.60 weekly per family of 3, for food distributed through commissaries. The League has usually run the commissaries.

Puts Premium on Cotton That's Baled in Cotton

WHILE others theorize about helping the cotton grower, Martha Mills of Silvertown, Ga., textile division of the B. F. Goodrich Co., makes a practical offer: the price of 7 lb. of cotton added to the regular payment on each bale that is delivered in cotton instead of jute wrappings. Since these mills use approximately 73,000 bales a year, this becomes an offer to pay for a half-million extra pounds of cotton annually.

The American Cotton Manufacturers Association has been making strenuous efforts to stimulate the replacement of jute wrappings by cotton. It asserts that a suitable jute tariff would increase American cotton consumption by at least 1 million bales a year; that cotton wrappings, permitting greater bale compression, would save millions in freight and other handling costs.


50
CLASSIFIED TELEPHONE DIRE
mobile Dealers—(Cont'd)
"WHERE TO BUY IT"
A QUICK
WAY TO FIND
THAT LOCAL
DEALER
Next time you want to locate an authorized dealer or service station, look in your classified telephone book. Under the trade name of the product you want, you'll find a list of local dealers—names, addresses and telephone numbers.
Look for Raybestos, Stromberg-Carlson, Enna Jettick, Sherwin-Williams or any one of many others.
Makes advertising more efficient
Have you read the advertisement at the left, appearing in several weekly magazines?
If not, it is well worth reading now. For it is just as important to business and industry as it is to the buying public.
"Where to Buy It" can make results from your advertising more certain—by making your authorized dealer easy to find. It checks substitution at the point of sale.
Investigate its advantages.
Write or telephone: Trade Mark Service Manager, American Telephone & Telegraph Co., 195 Broadway, New York (EXchange 3-9800)—or 208 W. Washington Street, Chicago, (OFFicial 9300).



The Business Week

Industry Is $30 Billions Behind On New Equipment Purchases

TO SUPPLEMENT other organized business stimulation measures discussed elsewhere in this issue, the Administration is being strongly urged to devise means of opening up credit channels, public or private, or both, to assist in the purchase of improved machinery, equipment, and other types of capital facilities.

The crucial importance of revival of activity in the capital goods producing industries as a means of expanding employment and general business is being increasingly recognized. As pointed out in the last issue, the decline in employment and earnings of workers in industries producing machinery, equipment, and other capital goods has been far more severe than in other occupations. Approximately 1,620,000 workers have been thrown out of employment in these industries since 1929, while loss in annual earnings is more than $3 billions.

For every worker unemployed and every dollar of payroll loss in the capital goods industries there are approximately 3 workers thrown out of employment and $3 of wage-earnings lost in other industries which supply consumers' goods and industrial materials.

Further studies by *The Business Week*, summarized in the accompanying chart and table, show that the decline in purchases of industrial equipment and plant facilities has been drastic and closely paralleled by the decline in the general volume of business. In fact the course of business activity during the whole period 1919-1932 has been closely related to the purchase of capital facilities by American industry.

At the present time the rate at which industrial equipment, machinery, tools, and new plant facilities are being purchased is about one-quarter as great as the average for the years 1919-1929, and payrolls in the capital goods industries have dropped in about the same proportion since 1929. This estimate for 1932 is based upon the weighted average decline in the first 5 or 6 months below the 1929 level shown by production, new orders, shipments, or, in some cases, payrolls, for 30 types of industrial machinery and equipment, and by contracts awarded for construction of new factories, power plants, pipe lines, railroads.

This decline in the capital goods industries is not due to a disappearance of need or demand for industrial machinery, equipment, and plant facilities. In the eleven years 1919-1929 inclusive, the average value of industrial machinery, tools, and equipment purchased for use in American industry, including railroads and utilities, amounted to approximately $4 billions annually, and in addition an average amount of $800 millions was invested in new plant facilities each year, making a total average annual investment in capital facilities of $4.8 billions.

Value of New Industrial Machinery, Equipment, and Plant Facilities Purchased in the United States

(Millions of Dollars)

	Average 1919-1929	1929	1930	1931	1932	Average 1930-1932	% Decline: Average 1930-32 under 1919-29	% Decline: 1932 under average 1919-29
Industrial Machinery	1,924	2,098	1,573	944	524	1,014	47.3	72.7
Business and Office Machinery	175	187	112	78	56	82	53.1	68.0
Miscellaneous Industrial Equipment	587	844	633	380	211	408	30.5	64.0
Small Tools	551	627	470	282	157	303	45.0	71.5
Commercial Trucks and Motors	379	506	375	273	167	272	28.2	56.0
Cars, Railway, Traction, Industrial	436	321	289	32	10	110	74.8	97.8
Total Machinery and Equipment	4,052	4,583	3,452	1,989	1,125	2,189	46.0	72.2
Industrial Construction	801	1,177	1,038	453	135	542	32.3	83.2
TOTAL	4,853	5,760	4,490	2,442	1,260	2,731	43.7	74.0

During the years 1930, 1931, and in 1932 (at the present rate of purchase) the average annual investment in industrial machinery, tools, and equipment has amounted to only $2.2 billions, or 55% of the average in the preceding period, creating a cumulative deficit in such purchases of $5½ billions. Similarly the accumulated deficit in investment in plant facilities during the three years 1930-1932 amounts to $777 millions, making a total deficit of purchases of industrial capital facilities of $6.3 billions.

Replacement Demand

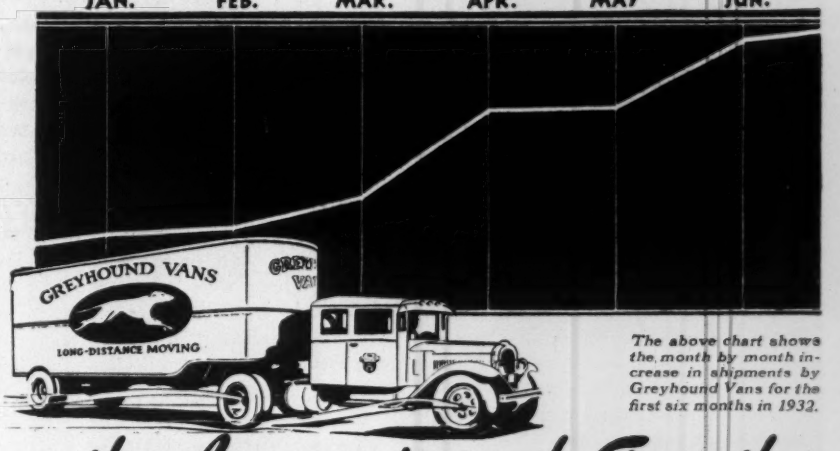
In addition to this accumulated deficit due to failure to maintain the normal or average rate of purchases of capital facilities prevailing during the preceding 11-year period, the accumulated need for new or more modern equipment required to replace that bought before 1930 must be considered. While no accurate statistical estimate of the extent of this demand is possible, because of wide variations in the rate of obsolescence and depreciation in different types of equipment, a comprehensive survey in 1930 showed that in that year approximately 50% of the units of the equipment in use in a wide range of metal-working industries were 10 years old or more, and might be considered obsolete.

If this condition was general throughout the manufacturing industries, telephone and telegraph, private water works, and private central power plants, it may be estimated that there existed in 1930, when this survey was made, a potential requirement for replacement of obsolete equipment amounting to $17 billions in value in these industries alone. By the present year, due to the accruing obsolescence of equipment installed in 1920, 1921 and 1922, this requirement has increased to approximately $23 billions.

$30-Billion Backlog

Even though there were no further purchases of equipment by American industry for expansion of productive capacity it would require 8 years of equipment purchasing in the industries referred to at the average annual rate prevailing before 1930 to replace with new and improved types the obsolete equipment now installed. If to this be added the deficit during the years 1930, 1931, and 1932 in equipment purchases below the annual average in the 11-year period before 1930, it may be estimated that there is at the present time an accumulated backlog of need and demand for industrial equipment and machinery amounting to nearly $30 billions.

A Chart
BUSINESS MEN UNDERSTAND



The above chart shows the month by month increase in shipments by Greyhound Vans for the first six months in 1932.

the Answer to such Growth –
RESPONSIBILITY
in Long Distance
MOVING

OFFICES IN:
Atlanta, Ga.
Baltimore, Md.
Birmingham, Ala.
Boston, Mass.
Buffalo, N. Y.
Chicago, Ill.
Cincinnati, O.
Cleveland, Ohio
Columbus, O.
Dallas, Tex.
Dayton, O.
Detroit, Mich.
Indianapolis, Ind.
Kansas City, Mo.
Louisville, Ky.
Minneapolis, Minn.
Nashville, Tenn.
Newark, N. J.
New York, N. Y.
Philadelphia, Pa.
Pittsburgh, Pa.
Rochester, N. Y.
St. Louis, Mo.
St. Paul, Minn.
Syracuse, N. Y.
Toledo, O.
Washington, D. C.

WHEN any company shows a striking, consistent gain in equipment and personnel, scope of operation and customers served, there must be a reason.

There is! Greyhound Vans, Inc. render a brand of service that has resulted in a record of 2,000,000 miles of safe, dependable long distance moving per year.

And that means first class service . . . by courteous, skilled employees, in the most modern, approved type of vans. With a nation-wide system to insure prompt handling at a minimum cost, a contract that provides complete protection, and an efficient organization to step in and assume the responsibility of every detail, here is the final answer to household and office furniture moving problems . . . a service it will pay you to investigate.

Estimate given on any shipment . . . without obligation. Phone the nearest office.

GREYHOUND VANS, INC., Cleveland, Ohio
AFFILIATED WITH GREYHOUND BUS LINES

GREYHOUND Vans
A NATIONAL LONG DISTANCE MOVING SERVICE

London and Amsterdam Buyers Help Bull Wall Street Stocks

EUROPEANS sensed a stock market rise as long ago as the middle of July and started their surplus funds to market promptly. When trading soared into a 3-million share day they became wary. The flow of orders from London, Amsterdam, and Paris was drying up this week. No one is certain what to expect in the near future.

Speculation in and around Wall Street as to the amount of foreign capital that has entered the newest bull market in New York hasn't yet simmered down into a concise estimate. Clerks have been too busy, brokers too astonished, to settle down to analyzing.

London Started It

The Business Week nosed around the financial district in New York, however, and ferreted out a few facts. Initial burst of foreign buying seems to have come from London. It probably represented orders for Continental investors, as well as British. Volume of foreign buying has continued heaviest from London.

Amsterdam has consistently ranked ahead of Paris in volume, though some French buying no doubt passed through both London and Amsterdam, and the Swiss probably bought through both the Dutch and British markets. A few brokers ventured the guess that well over half of the capital poured into the securities markets in the first days of the boom came from abroad. There are others who insist that a much smaller percentage is a more accurate guess.

Cables Beat Wires

One New York house with important offices in both London and Paris admitted that a greater volume of business came from these foreign offices in the first week of the bull market than had come through all of their American branches. Another brokerage house, defending domestic investor interest, reported that a leased wire had been opened all the way to the West Coast as a result of volume buying in this country.

The speculation was ventured that a certain volume of American money was returning to the country, now that the dollar has regained its strength and there is more confidence in the domestic situation. Other opinion was inclined to think that London was the source of such a large volume of business because investors were unwilling to accept the 3½% yield offered in the conversion operation, and were converting their funds to some of the more attractive preferred stocks and bonds on the New York exchange. A few bankers reported that German capital, long expatriated, was no doubt involved in the new rush in Wall Street.

Foreign exchanges had recovered in the early part of the week from the lows which most of them touched last week. There were other evidences of decreased buying from Europe as Americans entered into something of the frenzy of 1929 5-million share days.

Three Nations Enter South Atlantic Air Race

BUSINESS depression has put a crimp in many a building program, but not in ambitious aviation plans. International rivalry is likely to be the greatest incentive to new progress.

Italy, France, and Germany are immediately concerned in the new race. Ten round trip flights of the *Graf Zeppelin* between Germany and Brazil are proving that weather conditions on the South Atlantic are more friendly to air travel than on the northern route between Europe and the Americas.

Germany jumped into the news this week with the report from Berlin that Deutsche Lufthansa is likely to inaugurate regular air mail service across the South Atlantic next year. The plan now is to station a refueling steamer midway across the shortest stretch from Africa to Brazil. Dornier-Wal flying boats will be used. After being refueled, they will be catapulted from the supply ship. Eventually, as larger and faster planes are developed, it is planned to fly nonstop across the sea stretch.

France has pioneered on the South Atlantic route. Compagnie Aeropostale Generale now carries mail from Europe to Buenos Aires in 7 days in a combination air and boat service. French planes carry the assembled European mail from Toulouse, France, for more than 2,800 miles to Dakar on the west coast of Africa. From there it is carried on steamers to Brazil where it is again picked up by airplane and carried down

Acme

CRASH! BANG!—*Crash goes the brick through the jeweler's window, bang goes the steel shutter, electrically dropped as swiftly as a winking eyelid as this British inventor demonstrates his new protective device*

the coast to Buenos Aires. The French planned the line in 1918, completed it in 1928, have cut the time between Toulouse and Buenos Aires from 2 weeks to 1 week in the last 4 years. Now they are rushing plans to substitute seaplanes for steamers in the over-ocean leg of the trip.

Italy Spurs France

Real urge behind France's new project besides the recently announced German scheme is the plan of the Italian government to go after the South American-European airmail business. The adventurous General Balbo, who led a whole fleet of Italian hydroplanes in a flight across the South Atlantic more than a year ago, has now proposed to Mussolini that the Italians inaugurate a Rome–Buenos Aires service entirely by plane, to be flown in 3½ days.

For a time the Germans and the French talked about uniting their commercial aviation schedules, but were unable to agree on plans for a joint South Atlantic service.

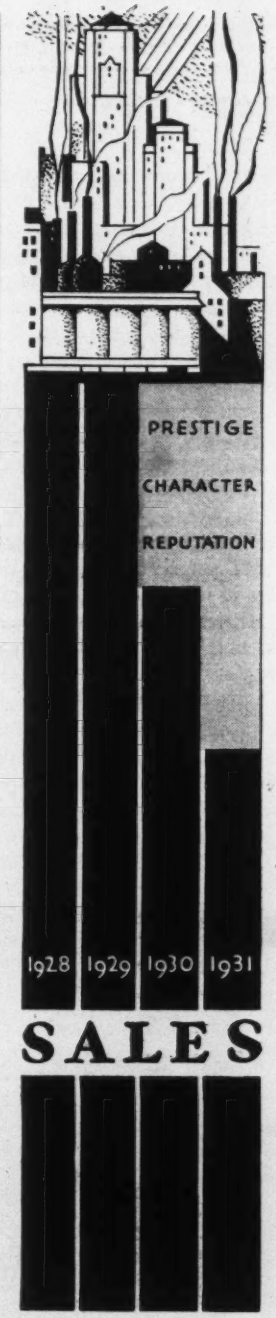
In this competition of air strength, the United States is not to be ignored. Planes in commercial service in the United States are more than twice the number in all the other 6 major "flying" countries. Pan American Airways has a regularly scheduled Latin American service reaching from Miami to Buenos Aires and Santiago, reported a profit of more than $105,000 last year, and is showing an interest in various surveys for a route to Europe via Greenland.

Veterans' Payments Are Safe in Committee Hands

THE Congress that was so ready to cut down expenditures for government services that pay substantial dividends to the taxpayer has little stomach for the economies that would reduce questionable payments going to veterans.

The Joint Committee of Congress, appointed to make a "painstaking" study of such payments, has decided to hold no meeting until after the election. It must report by Jan. 1. Since the committee must investigate items that make up present expenditures of $16,512,000,000—incidentally those items will amount to $28,389,599,000 by 1942—it is apparent that the committee cannot comply with its instructions in that length of time.

The action of the committee makes it clear that it simply was appointed to support the claim that the reductions proposed in the economy bill had not been carefully investigated.



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DEPRESSION ?

Years of intensive effort have built up your business or profession to its present eminence. Your unswerving loyalty and painstaking analyses of all the problems and hard knocks that have arisen to test the strength and vitality of your embryo business have caused many a sleepless night. After all this, you must maintain the ground gained. Your business "front" must keep up its appearance of quality and ambitious attention.

One important duty you owe your past success is to carefully guard the quality of your letterheads. Continue using good rag content bond paper for your stationery,—your old reliable ambassador of good will and prestige away from home.

Tell your printer to use Lancaster Bond for your letterheads. It is the "Aristocrat of Bonds," yet its price is not prohibitive. Spread over a few thousand pieces of business stationery its added cost is infinitely small. Its rich, white texture and sharp crackle preserves the feeling of confidence and optimism associated with the good old prosperous times. Support your business with Lancaster Bond.

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Papers

It has 100% all new white rag content. Beautiful ripple finish. Unexcelled as an unusually high grade business bond paper

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Business Abroad—Swift Survey Of the Week's Developments

Optimism is spreading. . . . Commodities add non-ferrous metals group to upward swing. . . . Britain is concerned only over what effect Wall Street boom may have on conversion operations in later stages. . . . France is participating in the enthusiasm despite declining industrial activity and not-too-good prospects for the winter. . . . New political tension prevents any favorable response from Germany; outlook again uncertain. . . . Spain fights new monarchist move. . . . Japan grabs export markets with aid of depreciated yen. . . . Communism spreads in China but does not prevent business improvement. . . . Brazil hides revolution behind rigid censorship. . . . Wall Street and Washington's "big push" key factors in present situation.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—The new wave of business optimism is sweeping over pretty well all of Europe, with the possible exception of Germany. Stock markets almost universally are steadier though volume is lagging far behind the new push in Wall Street.

Immediately hopeful to Europeans is the continuing upward trend of commodities prices. When this movement spread to the non-ferrous metals, favorable reaction was widespread. Silver joined the upswing during the week with fresh demand at London, particularly from China.

Foreign Exchanges Recover

Foreign exchanges generally recovered from the lows of the previous week, though the drain of funds to New York, particularly from London and Amsterdam, kept the guilder and sterling low. Frenchmen will not be surprised to see the franc fall to the gold export point on the dollar before the end of the month. Belgium actually made the first large shipment of gold to New York in a number of years. The Bank of France lost another $5½ millions of gold.

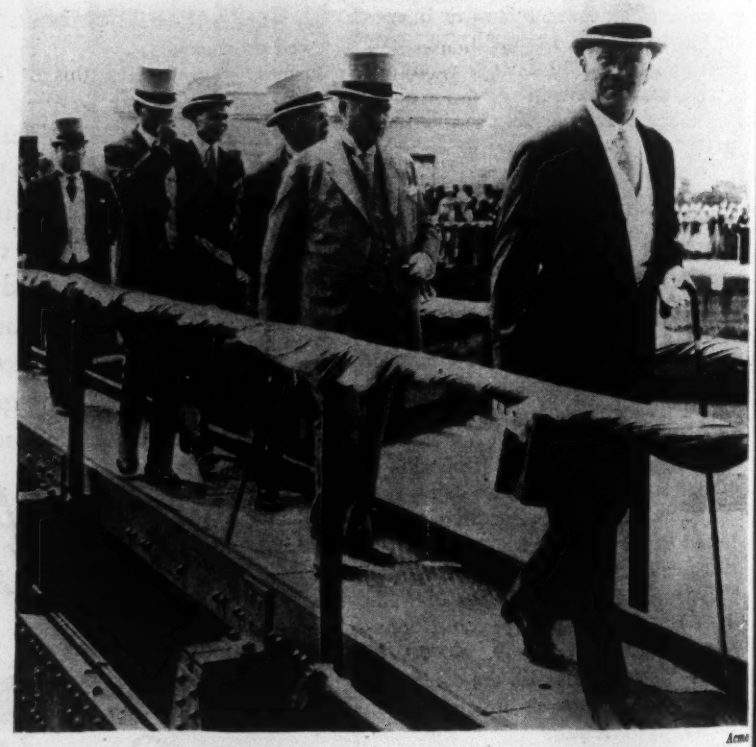
The drain of investment capital from London to New York is causing some worry to Treasury officials who fear that it will have an adverse effect on the remainder of the conversion operations. There is already some speculation as to the proportion of recent orders transmitted to New York that were from newly released holders of the old war loan bonds. The same influence is being felt in Paris where the market is preparing for a major conversion operation which has been expected in the early fall.

Germany Is Tense

The most unfavorable development of the week was the return of political tension in Germany. Complications have developed. Previous plans to incorporate a number of the most able Hitlerites in the present von Papen cabinet may not materialize. If they do not, Germany is uncertain what to expect from Hitler. A month ago, it seemed impossible that he would allow such a blow to his authority without attempting a coup d'etat. Now it is evident to Germans that he is losing control of the more radical element in his following. On the other hand, if some of his leaders are included in the cabinet, results are equally unforeseeable. London expects the latter move, leading eventually to a return of the monarchy. Whatever Berlin thinks, business confidence has fled this week. Markets are inactive, and tend to be weak. Uncertainty marks every move.

Baltic Union

The new monarchist rising in Spain sent peseta exchange down again but is not likely to affect business outside the country. More discouraging is the prospect, rumored in various capitals, of dissolution of the League of Nations this fall if Japan, Germany, and Italy withdraw, as is now threatened. The move by Japan seems inevitable, is widely anticipated. In the face of this possible collapse of a major cooperative scheme, some encouragement was culled from the report that Lithuania, Latvia, and Esthonia are toying with the idea of forming a "Baltic Union." If carried through, the project would provide the establishment of a uniform currency, the creation of a customs union, the making of joint commercial treaties, and the standardization of leading export products.



Acme

DOMINION ENTERPRISE—*Canadians, proud of their new $130-million Welland canal—all-Canadian link in the St. Lawrence waterway—recessed the Ottawa conference long enough to take guests to the opening. The Earl of Bessborough, Governor-General, and Prime Minister Bennett are seen leading some of the visitors across one of 8 great locks*

Ireland and Britain are still deadlocked on the land annuities problem, with Germany already profiting from Irish coal orders while Welsh miners and the Southern Railway of Great Britain are suffering.

Results are expected from Ottawa in another week. Britain is hopeful of fairly beneficial trade agreements with India, Australia, and possibly South Africa. With Canada, the outlook is less bright. Meanwhile, the important Danish market is being carefully courted.

France

France responds to Wall Street buying. . . . More gold shipped out of country. . . . Industrial activity still declining.

PARIS (*Wireless*)—France is still losing gold. Another $5½ millions have left the country, this time, it is believed, going to Britain. Because this outflow has continued for 3 weeks in succession, considerable interest attaches to the trend. Financial France has been aware for some time that it must come soon.

The outward movement of gold scarcely held the same attention that the boom in Wall Street has attracted. Paris offices of American brokerage houses report a rush of orders in the last 3 weeks. There has been a sympathetic firming of prices on the Bourse, but volume has not soared appreciably because at least half of the professionals (who are sometimes the only transactors on the exchange) are on vacation.

Industrial inactivity is increasing, especially in the iron and steel industry. Imports of Welsh coal, in the third week in July, reached 141,000 tons compared with an average of 100,000 tons. This jump to the British market is due to the coal strike in Belgium. Financiers look for reaction on the belga if the strike continues for long. Forward discounts on the belga are already at 4%.

No Treaty Rush

It is rumored in Paris that the French do not share the eagerness of the Americans to rush negotiations on a commercial treaty. In Paris, it is felt wiser to continue with the present modus vivendi than to carry on treaty negotiations in the face of a presidential election.

More interest than significance attaches to the contract signed recently between 10 independent oil refiners and the Soviets for the delivery from Russia annually for 6 years of 500,000 tons of Soviet crude oil and an unspecified amount of gasoline. The Soviets have sold oil to France for a number of years.

Germany

Fresh political tenseness prevents spread of recent wave of world optimism. . . . Political outlook uncertain. . . . Boerse dull; bonds irregular. . . . Industrial activity no better. . . . Lower "standstill" interest rate, and better crop reports most encouraging factors.

BERLIN (*Cable*)—German politics took a turn for the worse this week and prevented the country from sharing in the wave of business optimism which is spreading over Europe.

The political situation is tense. Conversations are taking place in Berlin between political leaders. A week ago some compromise between von Papen and Hitler, giving the Hitlerites representation in the cabinet, was expected. This week such a compromise seems increasingly improbable. What may happen if it fails cannot be foreseen now. Hitler apparently is losing control over the more radical element in his following. General von Schleicher has already taken the necessary moves to curb renewed disorders.

Business is reflecting this political tension. The Boerse failed consistently this week to reflect the enthusiasm of Wall Street or of the major European markets. Trading was dull, with prices declining gradually. Bonds were especially irregular.

The official Institute for Studying Trade Fluctuations admits the entire world has presented many favorable symptoms of improvement in recent weeks but fails to be optimistic over the immediate future in Germany.

Exports Still Curbed

Another adverse factor is influencing foresighted executives. The season when German exports normally increase is approaching but, with trade restrictions as numerous as ever, leaders confidently expect a further decline in exports, at least when compared with last year's totals.

Despite the generally unfavorable trend, there were several encouraging developments during the week. The first was the ratification by "standstill" creditors of lower interest rates over which there was much discussion at the recent quarterly conference in London. The second was the announcement from the department of agriculture that the

MR. JOHN BULL

. . . will listen to reason

The "Buy British" movement has been a god-send to England. It has forced British manufacturers to recognize the value of their own market.

American manufacturers can no longer overlook the necessity of meeting this encouraged British competition. They must either establish their own factories in England or retire gracefully.

Factory sites along the L.M.S. right-of-way are plentiful—either for sale or for rent. Prices are extremely low. Cheaper labor and carrying charges make operation most economical. And of course, a "Made in England" label for your product eliminates all buying prejudice.

Let us show you our listing of available factory locations—also the experience background of other American businesses already manufacturing in England. This information will be given in *strict confidence*—without cost or obligation. Just write or phone.

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[LONDON, MIDLAND & SCOTTISH CORPORATION]

Thomas A. Moffet, Vice-President—Freight Traffic
1 Broadway, New York City

grain crop this year is expected to run 20% above last year. The third, which affected foreign opinion especially, was the assurance from von Papen that the government has no intention of presenting her creditors unexpectedly with a *fait accompli,* and that Germany will not undertake anything before having negotiated with foreign bankers. At the same time he expressed the hope that an agreement with Germany's private creditors might make a transfer moratorium unnecessary.

Industrial activity still shows no improvement, though there is some encouragement in the knowledge that stocks of commodities are very low, that heavy buying is likely to follow any substantial sign of recovery.

Great Britain

General tone optimistic. . . . Stock market follows Wall Street. . . . Anglo-Irish deadlock throws large Irish coal orders to Germany and Belgium.

LONDON (*Cable*)—The general tone in Great Britain is excellent. Rising commodity prices, especially the improved position of the non-ferrous metals, is stimulating optimism. The stock market is reacting closely to developments in Wall Street.

Financial leaders are mildly anxious over this development. Until there is industrial improvement to back the rise they are hesitant to accept it as permanent. Also, money drawn to Wall Street reacts unfavorably on the progress of the conversion operation. If the stock boom in New York is only temporary, London estimates that the amount the Treasury will need to redeem that part of the old war loan which may not be converted will not exceed £200 millions. If the boom continues, as it has this week, it is entirely possible that the Treasury will have to provide short-term financing up to £600 millions, for revived American buying is expected to inaugurate industrial revival in Britain as well as the United States and send interest rates to 4% or more. The conversion offers only 3½%.

Textile Strike

Unemployment at the end of July registered a gain for the month of nearly 65,000. Most of this was due to stoppages in the cotton textile industry, though there is slackness of activity in the building, coal, engineering, and iron and steel industries. Restricted activity is fairly well spread over all areas. The drapery and clothing industries are feeling the first impulse of early fall buying. Woolens are not likely to be affected for a few weeks. Rayon is active.

The political deadlock with Ireland over the non-remittance of Irish land annuities is looming larger each day. Britain still insists that the duties on Irish imports are in no way the beginning of an economic war, but merely a necessity on the part of the British government to protect tax payers who will be forced to pay larger taxes unless the deficit is met. Criticism from the dominions, however, is creeping back to London to dog an already harassed government.

The depressed coal industry added its criticism this week when operators learned that the first cargoes of German coal are arriving at Dublin. Shipments already total 3,000 tons. Another 250 tons is on the way. The Southern railroad is hard hit as a result of the loss of this business. Belgium reports Irish coal orders for 35,000 tons. Ireland is still willing to submit the question to a non-empire tribunal. Britain is not.

Latin America

Almost complete censorship in Brazil hinders normal trade from abroad. . . . Argentina moves toward government control. . . . Mexico may purchase materials in U. S. . . . Commodity price rise encouraging.

SELDOM has there been a more successful job of censorship than that now being enforced in Brazil. A civil war has been in progress there for more than a month, and yet even American firms with branches operating in the country have received no enlightening news. Ships are operating in and out of Rio de Janeiro, but the port for the important coffee and industrial center of São Paulo is closed. Foreign business is drastically restricted.

Less business than political interest is centered in the threatened struggle between Bolivia and Paraguay. Political news from Chile is not especially optimistic.

Some concern is developing in Argentina over the increasing interference of the government in business. Packers recently were warned that an old law providing for strict government inspection of all business operations, including bookkeeping, would be enforced from now on. A government grain control board is now proposed in a bill before congress. This bill empowers the proposed board of control to stipulate the type of grain which can be planted in various regions, to prohibit the sowing and sale of certain grains, to supervise operations in the futures markets and other trading centers, and closely to control exports.

Mexican Construction

Complete details have not yet reached New York of the construction program proposed in Mexico as a part of a relief scheme (*BW—Jul27'32*). Contracts have been let, however, for the construction of an asphalt road in Lower California to cost $2 millions, and the President has approved the plan of the Ministry of War and Marine to spend about $6 millions to acquire 20 light coast guard cutters. Americans are expected to get the contract for their construction.

The general rise in commodity prices is an encouraging factor this week. Coffee and sugar, especially, maintained early gains, though cocoa, wheat, and corn are also importantly affected.

Far East

Rising commodity prices and depreciated yen benefit Japan's export business. . . . India absorbs vast quantity Japanese cotton goods. . . . Manchukuo still key to tense political situation. . . . Communism spreading rapidly in China.

ECONOMICALLY there were some favorable trends in the Far Eastern outlook this week. Politically, developments were less favorable.

Japan is profiting from the rise in commodity prices and, as far as exports are concerned, in the better competitive position abroad with the yen at extreme low exchange levels. With this advantage and with the raw silk export season progressing under fresh demand from the United States, the trade balance has turned favorable.

Lower Yen Exchange

Japanese textiles are making heavy inroads on the Indian market. Yen exchange is down nearly 50%. The rupee has depreciated less than 30%. Cotton piece goods exports to India have increased steadily since February, when they were already more than double the volume of a year ago.

Cotton cloth exports by Japan to all destinations during the first half of the year totaled more than 306 million yards, a gain of 27% over the total for the same period last year. The gain in

value, however, was only 19%. General exports to British India were up 122%, to Manchukuo 305%. Trade with China, however, was down, especially in central and south China where the boycott is still more or less effective. There was a favorable balance of trade with China of more than $2 millions for the first half of the year.

Large Japanese Exports

Japan has become a formidable competitor in many a foreign market in recent months. American rubber shoe manufacturers are complaining that the Japanese are dumping in this market and that they cannot meet the competition. The British, especially, are severely handicapped in both the Chinese and Indian textile and machinery markets. European raw silk, which gained a slightly larger place in the American market when the Japanese were attempting price stability through restriction, is again at a disadvantage. Japanese canned fish are finding ever larger markets.

Farm Relief Urgent

Domestically the economic situation is not good. The farm situation is acute and it is still doubtful how much the special Diet session will be able to do this month to alleviate the financial difficulties of the small farmers. Also, the unrest in Manchukuo is causing further extensive military expenditures which the country can ill afford just now. Tokyo's determination to cope forcefully with the problem is evident in the appointment of General Muto as Japan's supreme military and diplomatic representative at Mukden, which is interpreted abroad as the definite handing over from the Foreign Office to the Army of the administration of the new state.

Manchukuo's political troubles are augmented by severe floods in the Harbin area, and reported serious damage to the wheat and soy bean crops.

Communism in China

China is still recovering from the winter's siege at Shanghai, and is doing a nice job but for the shadow of uncertainty caused by the rapid spread of communism. Economic pressure and the troubles with Japan are no doubt aiding the cause. Observers on the spot contend that the "brand" is not the same as that fostered by Moscow. Some persons believe that the movement may be more successful than any in recent years in bringing about the unity of China.

Imports of both cotton and wheat are expected. Equipment purchases are fair. Building is active.

ACHIEVEMENT IN PUBLIC SERVICE

352,109 customers not previously served by the same properties have been added since 1925.

Service to rural areas now supplied in scores of communities where none or very inadequate service existed before.

$79,000,000 for new construction since 1928. Provision for replacement of worn-out equipment $9,754,000 in 1931.

17.8% increase in use of electricity per residential customer since 1929.

12% average decline in rates for residential electricity during the last four years.

$7,366,531 for taxes paid or accrued by Associated System in 1931.

IMPROVED service at reasonable rates to an increasing number of customers—this has been the aim and accomplishment of the Associated System. The System's success in providing satisfactory utility service for 6,200,000 persons in 3,000 communities is indicated by the following facts:

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Associated Gas & Electric System
61 BROADWAY . . . . . NEW YORK

More than sentiment . . . . REAL GOOD NEWS

A DEFINITE upturn is indicated in the engineering-construction industry. In July the construction volume index reached its highest point since last November.

The construction cost index, which in May was at the lowest point in 16 years, made nearly a five-point climb through June and July. This is the first time since April, 1930, that this index has advanced in two successive months.

State and municipal agencies are applying to use immediately all of the $206,000,000 appropriated by the last Congress for Federal-aid highways.

Over and above all of this is the estimated $1,500,000,000 fund of the Relief Act to be released by the R. F. C. for construction of self-liquidating projects. There is every indication that public works programs, long deferred by lack of credit, will be getting under way in the next few months.

Manufacturers of equipment have no time to lose in getting their promotion plans at work. Constant schedules of advertising in *Engineering News-Record* and *Construction Methods* from NOW on is a sure way of exposing yourself to this business.

Ask the nearest McGraw-Hill office for help.

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San Francisco · Los Angeles · Greenville, S. C. · Boston

The Figures of the Week And What They Mean

Under the extraordinary stimulus of governmental assistance in organizing credit facilities to stabilize commodity prices and to set in motion major industries, a further strengthening of important commodities occurred and faith in future activity among steel producers was bolstered. . . . Otherwise there is no apparent change in the situation of basic industries. . . . Steel activity reacted again and electric power production remains at a low level, particularly in the central industrial region. . . . Coal production is receiving a late seasonal impetus. . . . July building construction exceeded June for the third time since 1919. . . . Check payments and currency circulation increases are attributed to seasonal and first-of-the-month influences.

STEEL trade papers prefer to dwell upon the cheerful prospects for autumn business rather than upon current production activity, which in the past week receded to 14% of capacity. The sharp rise of steel shares in the past few days receives little support from the industry itself. July tonnage was officially announced by the American Iron and Steel Institute at barely 793,000 tons, equal to an operating rate of 14.7% of capacity against approximately 16% in June. Such figures have no parallel in the history of the industry. Unfilled orders of the U. S. Steel Corp. at the close of July reached another new low with a decline of 68,466 tons to 1,966,302 tons.

A further improvement in scrap prices at both Chicago and Pittsburgh, a little better inquiry among consumers for pig iron and steel, some increase in demand for wire products from agricultural regions, and strengthening of non-ferrous metal prices are the outstanding favorable factors to steel producers. Offsetting these scattered signs of betterment are a further decline in tin plate operations, the approach of the end of the 1932 run in automobile production, small railroad inquiry, and some slackening in the volume of structural steel demand.

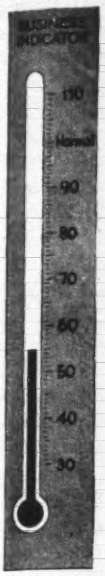
Automobile Sales

July sales of cars to consumers by General Motors dropped to 32,849 from 56,987 in June. Production at the General Motors plants is reported at a virtual standstill, except for the Chevrolet line. *Steel* believes that the shutdown of this important steel consumer may continue until September or October. Ford has also drastically reduced his schedules. New passenger car registrations during July as reported for 8 states indicate a 31% decline from the June level, while commercial car sales are down 13%. Production in the United States and Canada in July is estimated at 112,600 units, compared with 190,204 in June.

No definite announcement has been made concerning the proposed financing of railroad equipment repairs and the purchasing of new equipment. *Steel* reports the award of 25 freight cars in July, bringing the 7-month total to 384 against 6,661 last year and 33,993 two years ago. The roads are

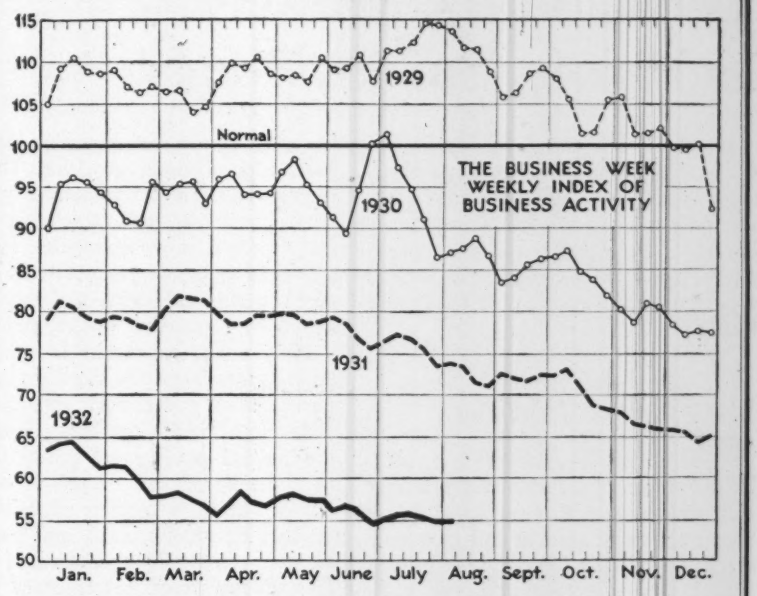
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*54.9	54.9	73.9	.....
PRODUCTION				
Steel Ingot Operation (% of capacity)	..14	15	32	64
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$5,326	$5,098	$11,803	$19,404
Bituminous Coal (daily average, 1,000 tons)	*768	†733	1,135	1,389
Electric Power (millions K.W.H.)	1,427	1,440	1,643	1,600
TRADE				
Total Carloadings (daily average, 1,000 cars)	85	84	126	162
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	57	57	84	104
Check Payments (outside N. Y. City, millions)	$3,095	$2,516	$4,377	$5,404
Money in Circulation (daily average, millions)	$5,738	$5,718	$4,873	$4,737
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.46	$.46	$.42	$.98
Cotton (middling, New York, lb.)	$.066	$.060	$.074	$.153
Iron and Steel (STEEL composite, ton)	$29.46	$29.46	$31.06	$34.34
Copper (electrolytic, f.o.b. refinery, lb.)	$.052	$.050	$.073	$.127
All Commodities (Fisher's Index, 1926=100)	61.1	60.9	69.5	88.5
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,395	$2,430	$990	$1,191
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$18,696	$18,334	$22,264	$22,077
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,365	$6,405	$7,994	$8,673
Security Loans, Federal Reserve reporting member banks (millions)	$4,631	$4,587	$6,512	$7,161
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$332	$331	$1,346	$3,605
Stock Prices (average 100 stocks, Herald-Tribune)	$84.54	$80.46	$116.95	$152.89
Bond Prices (Dow, Jones, average 40 bonds)	$76.77	$75.07	$94.15	$95.29
Interest Rates—Call Loans (daily average, renewal)	2%	2%	1.5%	4.7%
Interest Rates—Prime Commercial Paper (4-6 months)	2½-2¾%	2½-2¾%	2%	4.1%
Business Failures (Dun, number)	685	609	476	444

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39



not all agreed on the desirability of adding to their debt burdens at the moment. Up to Aug. 1 they have already borrowed more than $28 millions from the Railroad Credit Corp. to pay fixed charges. Applications for the abandonment of rail mileage continue. This year 740 miles of road have been abandoned, chiefly because of light traffic.

Engineers Report

The partly completed report of the American Society of Civil Engineers indicates that state and municipal construction projects valued at $2¼ billions have been suspended for lack of funds. Most of these are in the "self-liquidating" class eligible for loans from the Reconstruction Finance Corp. It is on the basis of efforts being made to finance the construction and railroad industries that steel leaders look forward to the loosening up of demand for steel. The difficulties to be overcome, however, make it unlikely that these orders will appear in the near future.

Construction during July held up better than expected, with contracts awarded in the 37 states covered by F. W. Dodge actually exceeding June by 13.9%. On a daily average basis to make allowance for July's having one less business day than June, the gain is more than 18%. In the past 13 years there have been only 2 occasions when July construction exceeded June, one in 1919 and the other in 1929.

The unusual performance is credited to a surprising spurt in both non-residential building and public works and utilities. The former ran up a total of $48.9 millions, a 23% gain over June which becomes a 28% gain on a daily basis. Public works and utilities accounted for about half of the total volume of construction, whose value is placed at $128,768,700. This group contributed over $60 millions to the total, a gain of 19.7% over June. On a daily average basis, the gain equals 24.5%.

Residential construction remains the exception to the favorable showing in the construction industry. Awards totaled only $19.7 millions, a 14.6% decline from June, or an 11.1% decline on a daily basis.

Coal Industry

A belated seasonal expansion characterizes the coal industry at the close of July. The adjusted index for the week of July 30 rose 2 points to 38% of normal. While little improvement is yet apparent in industrial circles, some betterment is expected in retail demand.

Electric power production figures fail to confirm any noticeable improvement in industrial areas. For the week of Aug. 6, output declined 1% instead of showing the customary seasonal increase. The index declined to 70% of normal. The New England states show a spread of 10% from a year ago, while the central industrial region is now 16.6% below a year ago. The better showing on the Pacific coast is attributed to the influence of the Olympic festival.

Gains in miscellaneous freight, coal and livestock accounted for the increase of total carloadings during the week ended July 30. The decline in less than carlot freight offset the better showing of miscellaneous freight, causing a decline in our index to 48%.

Check Payments

Check payments for the week ended Aug. 3 increased substantially over the preceding week, particularly in New York City where the rebound equalled 35.5%. In the 140 cities outside of New York the gain amounted to 23%. The index rose to 64%. Greater activity in the stock markets undoubtedly contributed to the increased volume of check payments, in addition to the usual trade activity associated with the first of August.

Currency circulation for the week ended Aug. 6 gained slightly, due in part to seasonal influences. Bank closings for the week Aug. 4 totaled 21, the same as the revised figures of the preceding week. Preliminary figures for July compiled by the *American Banker* now aggregate 126 against 148 in June.

Announcement of plans to organize banking credit to enable raw material consumers to buy commodities for future use at prevailing low levels contributed to the further strengthening of major commodity prices. The trend of rubber, sugar, cocoa, coffee, hides, cotton, silk, wool, corn, wheat, and the non-ferrous metals was definitely upward until Aug. 9, when profit taking resulted in minor losses. Rush orders in silk and wool mills tended to strengthen these textile fibers. Cotton passed 7¢ a pound for the first time since early March.

Trends of the Markets In Money, Stocks, Bonds

Spectacular upturn in stocks signalizes passing of crisis psychology. . . . Bond market maintains steady strength. . . . Bank credit expansion is confined chiefly to government financing, but security loan liquidation ceases and support of stock market is begun.

Reversal of Gold Flow Tells End of Panic

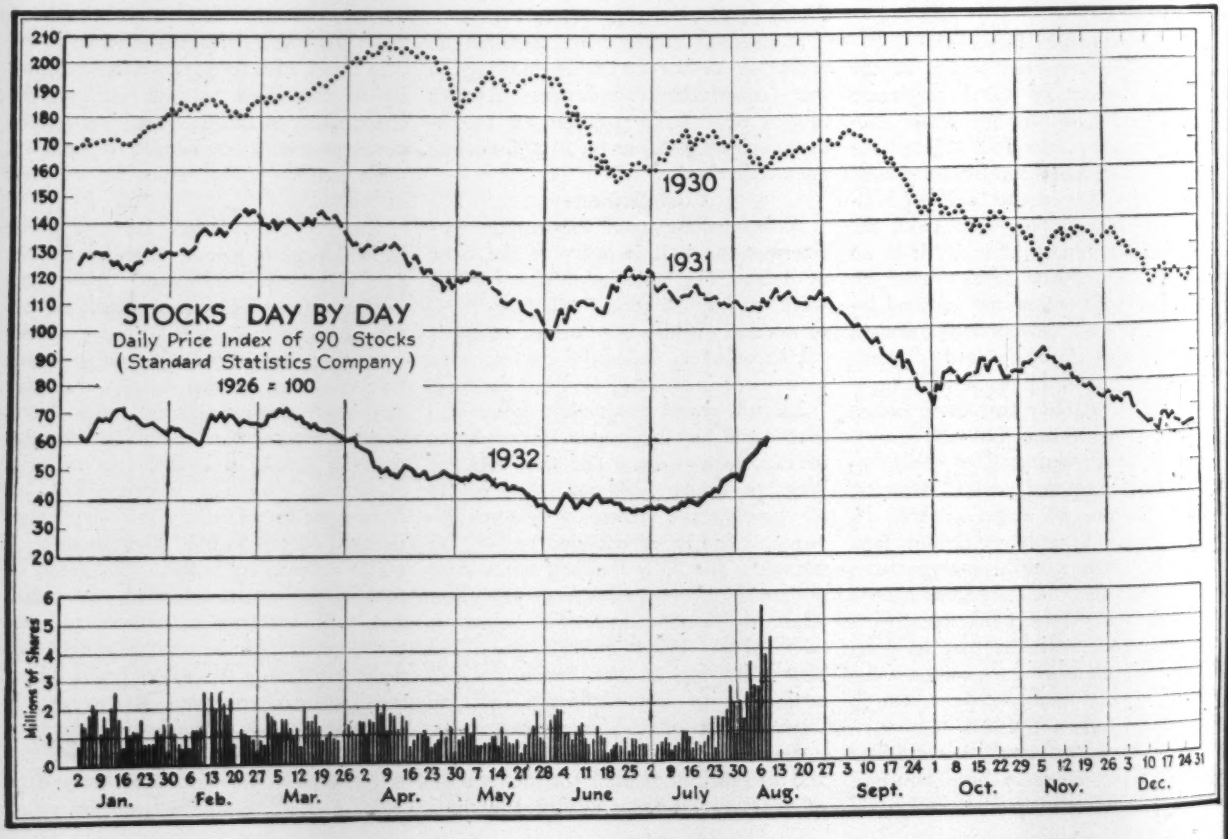
THE fundamental fact about the financial situation—a fact reflected in the recent action of security and commodity markets—is that a large-scale reflationary movement has commenced, under Administration auspices. Business recovery, of course, depends upon credit expansion. Those who have been expecting such expansion to take place in the usual or orthodox forms have so far been disappointed. In the past, upturns in security markets, which almost invariably precede improvement in business, have usually come as a result of increased investment of excess bank resources in corporate securities. This has usually created an active and rising bond market, stimulating new capital issues for private business enterprise, soon reflected in expanding employment in the capital goods industries, and finally followed by expanding commercial loans.

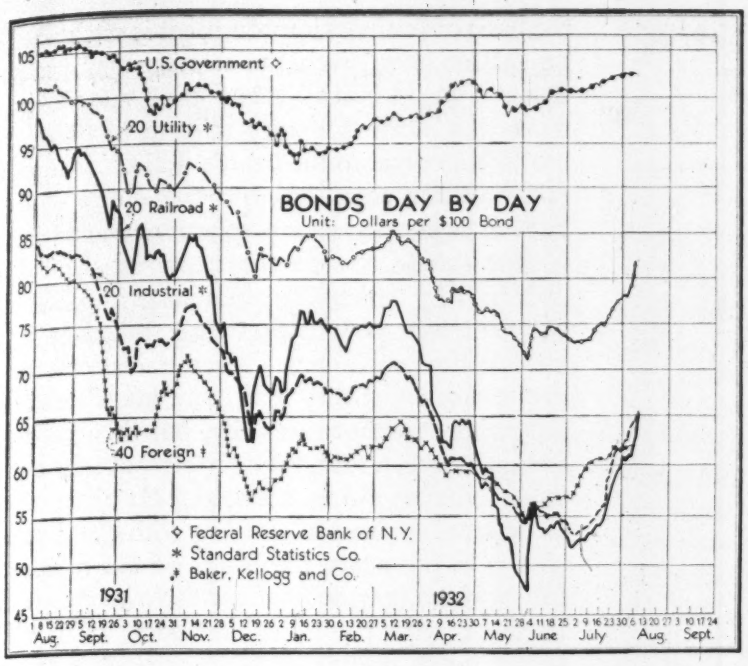
Now credit expansion is apparently taking place largely in the form of bank purchases of government securities, the proceeds of which are being loaned by the federal government partly to prevent the liquidation of private security values (through support of banks, insurance companies, etc.) and partly to support commodity markets and stimulate activity in certain types of capital goods industries. In addition, rising security values resulting from anticipation of effects of this indirect process of credit expansion on business activity are (*a*) stimulating expansion of security loans and (*b*) facilitating liquidation of weak bank investments in corporate issues.

The latest statements of weekly reporting member banks reflect these tendencies clearly. Commercial loans are still declining, showing little active demand as yet for current business credit, no marked improvement in business activity having so far appeared. Investments in government securities have increased heavily and security loans have started to rise, while banks outside New York are taking advantage of a better bond market to reduce their investments in other than governments.

Precursor of Recovery

Non-banking investment is primarily responsible for improvement in security markets. The inflow of foreign funds for this purpose is especially important, for it has always been a precursor of recovery here in past depressions. The most striking reflection of it in the present situation has been the weakness in all foreign currencies and the steady inflow of gold in recent weeks, culminating in the drop in Belgian exchange below the gold point and a shipment of gold from that country, the first outright return flow from any of the nations that have been drawing American gold since last fall. This is a symptom of the complete reversal of international psychology regarding the position of the dollar and the prospects of improvement here. It marks the end of the panic period.




BONDS DAY BY DAY
Unit: Dollars per $100 Bond
U.S. Government ◇
20 Utility *
20 Railroad *
20 Industrial *
40 Foreign †
◇ Federal Reserve Bank of N.Y.
* Standard Statistics Co.
† Baker, Kellogg and Co.
1931
1932
Aug. Sept. Oct. Nov. Dec. Jan. Feb. Mar. Apr. May June July Aug. Sept.

There's Really Some Reason in Bull Market

THE strong upswing, which started inconspicuously in the first week of July and has become sharper week by week since, has assumed a somewhat deeper significance than it seemed to have at the outset. With the usual superiority of hindsight among the seers of the Street (many of whom are pretty sour about having been left behind when the band-wagon started) there is an increasing realization that this recovery has been a reflection of some fairly fundamental favorable factors that came to a head about mid-year. They are: (1) the end of the foreign gold outflow and of speculation against the dollar; (2) the reparations write-off at Lausanne; (3) adjournment of Congress after completing the Administration's reflation machinery; (4) improvement in commodity prices; and (5) steady strengthening in the bond market. These have been followed by organization of the Administration machinery for aggressive action to stimulate business and support commodity prices, and by strong foreign buying.

What started primarily as a professional speculative push along special lines has broadened out into a full-fledged bull movement. Trading has rapidly increased in volume and spread over a wide range. The price recovery, amounting to about 75% in the averages of market leaders and almost 50% in the whole range of active issues, has of course been too sharp to continue without some setback, but the grounds for believing that the bottom of the bear market was unsuspectedly passed about the middle of July have steadily grown stronger since then.

Bonds Continue Rise Without Special Help

ACCORDING to orthodox precedent, steady improvement in the bond market has provided an increasingly solid basis for the upturn in stocks. Strength in preferred stocks, in many cases quite spectacular, has set the pace for an almost continuous rise in bond prices and a steadily broadening market. The most striking feature of the market has been the apparent total absence of any special support from bank or institutional buying. Bank portfolios have not noticeably increased; there has been some liquidation by out of town banks. Foreign buying was evident in the first stages, but has shifted to stocks recently.

The crucial question now is as to how soon there will be sufficient certainty in the new issues market to stimulate active corporate borrowing for new construction and business expansion purposes. So far the new flotations have been confined to public utility refunding issues carefully prepared by bank syndicates. The most recent, those of two Insull operating companies, have been very successful, but hardly constitute a satisfactory test of the new capital market.

Are You Game To Try It?

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

August 17, 1932

Why Not?

ONE should not be either too skeptical or too sanguine about the significance of the sudden outbreak of speculative enthusiasm in security and commodity markets in recent weeks, or about the methods being used to stimulate it.

The truth is that this is a strange, not altogether sane nation, subject to sudden shifts of sentiment most disconcerting to those who expect it to be interested in stability. Economics is mostly a matter of human motives, and in America these are the motives of a young, hopeful people, with a speculative disposition, a short memory, and an easy social conscience. It is consequently a serious mistake to be too cocksure about how it will act in any situation, and professional forecasters are always tempting fate when they prophesy for it either impending disaster or permanent prosperity. Life, in its economic aspect, is never to be completely caught in the statistical nets of the experts. As the Irishman said of a fish net, they are usually a lot of holes held together by a few strings, the holes being the hopes and fears of men.

It is an error to believe that any economic readjustment must be complete, or that nothing can happen till it is. Of course there are important problems left by this as by every other depression, but they need not be wholly solved before recovery can begin. All things in life overlap; new generations with new interests and desires grow up amid the old; old debts are defaulted or written down while new ones are created; business rebuilds itself and new enterprise begins before the wreckage of the old is altogether cleared away.

This is what is happening today, and this is what is reflected in the sensitive nerve centers of the security markets. The essential basis of American business is emotion. When that emotion shifts from anxiety to enthusiasm, often from unreasoning fear to equally unintelligent faith in the future, and is furnished with sufficient financial fuel upon which to feed itself, the basis of business improvement is established, no matter how much the experts may protest that the world is still out of joint, and that we must wait until the sorry scheme of things is remolded nearer to the heart's desire. Life will not wait for anything, and the desire of the American people is for prosperity on any terms.

Nor should we be too captious about the processes by which the speculative impulses of the American people are being stoked by Administration measures. To the classical academic economist they may seem unorthodox to the point of dangerous folly, but they are not, for, as has been said, they simply put into practice a belief as old as Alexander Hamilton, that the correct method of dealing with the depression is to pour into the hands of the capitalist funds which may be used for the stimulation of business, with the hope that some of it will trickle down into the hands of the mass of the people. If they are prompted by political considerations, this, too, is part of the American picture, for our politics are an aspect of our speculative temperament, based on the national principle that nothing succeeds like success.

They are, of course inflationary, ingenious forms also specially adapted to the American sensibilities. But anyone with insight into the situation knew from the outset that no improvement was possible without some form of inflation, psychological and financial; and it was easy to prophesy many moons ago that any Administration in office would be driven to outherod Herod in its reflationary enthusiasm, once it correctly sized up the situation, politically and economically. One is compelled to admire the incumbent Administration for the strong, subtle, and comprehensive strategy of its campaign for credit expansion in face of foreign dangers and domestic fears; and it is the part of wisdom for business to take full advantage of the powerful forces being brought to bear toward expansion.

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